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Is lasting relief on the way?
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Clinton and Perot look out for number two
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FINANCIAL TIMES

Tuesday May 19 1992

EUROPE'S BUSINESS NEWSPAPER

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'Friendly fire' decision may sour US-UK relations

The British government was under strong pressure last night to extradite US pilots involved in the deaths of nine British servicemen during the Gulf war. A UK request ruled they had been "unlawfully killed" in an incident involving so-called "friendly fire".

The jury's surprise decision may force government law officers into a choice between souring relations with the US or facing a backlash from the victims' families and MPs.

Swiss EC applications Switzerland will shortly apply to join the EC in a move that will anger the country's traditional isolationist elements. The move was spurred partly by a recent referendum showing that most Swiss favoured membership of the IMF and World Bank. Page 16

Goldman Sachs US investment bank, acquired the 20 per cent stake in Sulzer Brothers, Swiss engineering group, formerly held by Omni, for about \$180m. Page 19

US presidential race Ross Perot, buoyed by the first national opinion poll to put him ahead in the presidential race, promised "to take out the trash and clear out the barn" in Washington. He will declare his independent candidacy "when the time feels right". Page 18

Taiwan Aerospace has proposed a deal with McDonnell Douglas, US aircraft manufacturer, to set up a financing arm to buy a new range of aircraft from the US group. The deal would initially rule out large Taiwanese equity investments. Page 15

Bosnian ceasefire Serb, Moslem and Croat leaders agreed a 21-day ceasefire in the battle-torn Bosnian capital Sarajevo.

Nazi camp boss sentenced to life Former Nazi concentration camp chief Josef Schwammberger (left) was sentenced to life imprisonment by a Stuttgart court on seven charges of murder and 33 of accessory to murder. Austrian-born Schwammberger, 80, was sentenced in what may be the last big Nazi trial in Germany.

Pressure on bank chief The head of Russia's central bank, Georgy Matukhin, faced calls for his resignation following accusations of law-breaking. Page 2

Uruguay Round The EC underlined said an early and successful conclusion to the Uruguay Round of trade liberalisation talks would depend on US concessions. Page 3

Japan trade surplus The trade surplus for April rose 13.4 per cent against the same month last year to \$7.18bn. Page 6

Olympics & Yorks The UK government toughened its stance over a subway extension to Canary Wharf, the east London office development, saying construction would not begin until the \$400m (\$700m) pledged by O&Y had been secured. Page 18

Motorola, US semiconductor and communications equipment manufacturer, is building a factory outside Beijing to make products primarily for the Chinese market. Page 5

Lonrho chief executive Tiny Rowland met Col Muammar Gaddafi about what are thought to be "substantial misunderstandings" between Libya and the UK-based conglomerate. Page 19

Nigerian riots Up to 100 people were feared killed in northern Nigeria as Moslems and Christians clashed around the city of Kaduna.

Democracy moves President Alberto Fujimori, in an about-face to avert the threat of sanctions against Peru, proposed a swift return to democracy.

Bethlehem Steel of the US and National Steel, Japanese-owned US steelmaker, will jointly build a \$100m plant in the industry's latest US-Japan tie-up. Page 22

Italian wage dispute Unions are protesting over the refusal of government and industry to pay an inflation-indexed wage increase. Page 2

Club Méditerranée, French holiday group, is joining forces with Carnival Cruise Lines, US travel company, to launch cruise holidays in Europe and Asia. Page 16

Ramos confident Former Philippine defence chief Fidel Ramos, the administration-backed candidate in last week's presidential elections, widened his lead, though accusations of fraud persisted. Page 6

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,703.6 (+21)	New York	1,836 (1,823)
Yield	4.91	London	1,836 (1,819)
FT-SE Euroshare 100	1,184.41 (+13.7)	MI	2,575 (2,575)
FT-A All Share	1,912.88 (+0.7)	FF	8,325 (8,325)
Nikkei	16,443.1 (+388.6)	Sfr	2.89 (2,707)
Dow Jones Ind Ave	3,376.83 (+22.94)	Y	226.25 (237)
S&P Composite	412.51 (+2.72)	E index	83 (92.8)
US CLOSING RATES		DOLLAR	
Federal Funds	3.12% (3.12%)	New York	1.5995 (1.51)
9-mo Treas Bill Yld	3.882% (3.882%)	DM	5.358 (5.403)
Long Bond	7.82% (7.812%)	FF	1.4657 (1.4845)
Yield	7.82% (7.812%)	Sfr	1.28 (1.28)
LONDON MONEY		Y	128.75 (130.2)
3-mo Interbank	10% (10.5%)	S index	63 (63.4)
Life long gilt future	Jan 99 99 1/2 (Jan 99 1/2)	Tokyo close	Y 128.68
NORTH SEA OIL (Argus)			
Brent 15-day (July)	\$19.55 (19.57)		
Gold			
New York Comex (Jun)	\$339.3 (339.1)		
London	\$338.7 (338.4)		

Austria	Sol30	Hungary	F182	Malta	Ln0.50	S Arabia	Sf8.00
Bahrain	Dn1.00	Ireland	IK180	Morocco	MDN11	Singapore	S\$4.10
Belgium	Sf80	India	R20	Neth	F 3.59	Spain	Pes200
Cyprus	CY1.00	Indonesia	Rp200	Nigeria	Nk200	Sweden	Skr14
Czech	Kcs5	Ireland	Dn0.50	Norway	Nkr15.00	Switz	Sfr3.00
Denmark	Dkr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	Eg1.00	Jordan	Jd1.20	Pakistan	Pcs20	Tunisia	Dn1.00
Finland	Fmk10	Korea	Won200	Philippines	Pcs50	Turkey	Lira1000
France	Ffr45	Kuwait	Kd1.00	Poland	Zl10.00	UAE	Dh0.00
Germany	Dm3.00	Lebanon	US\$1.25	Portugal	Esc200		
Greece	Dr250	Lux	Lfr100	Qatar	QR10.00		

Engineering industry pay settlement expected to set national pattern Last ditch German wage pact

By Quentin Peel in Bonn and David Waller in Frankfurt

THE threat of a long hot summer of strikes in Germany was lifted yesterday as engineering workers across the country backed the last-ditch pay deal agreed at midnight on Sunday.

Trade unions and employers agreed that the 21 month deal, providing in effect a pay rise of 5.8 per cent this year and 3.4 per cent in 1993, with an hour's cut in the working week, would reduce the chances of prolonged strikes in other industries.

But cautionary words on the engineers' deal came from Mr Helmut Kohl, the chancellor, who said it would be "economically

difficult". Mr Hans-Peter Stihl, president of the German chamber of commerce and industry, said the award was still excessive, and would hasten rationalisation and job cuts in the industry.

Mr Edzard Reuter, chief executive of Daimler-Benz, Germany's biggest industrial group, also criticised the settlement. He said Daimler would make it clear to employees that the agreement would harm Germany's status as an investment location.

Generally, however, the deal was greeted with relief for avoiding a damaging and possibly prolonged strike, at a time when the German economy is poised between recession and recovery. However, hopes that the deal

would prompt a rapid relaxation in the tough monetary policy of the German Bundesbank were firmly rejected last night by Mr Helmut Schlesinger, Bundesbank president, who warned that the agreement followed a pattern of excessive awards in recent months. He noted that even if the present 4.8 per cent inflation rate were reduced to between 3.5 and 4 per cent by the end of the year, it would still be too high.

Money supply was growing at an annual rate of 8 per cent, much faster than the central bank's target of between 3.5 and 5.5 per cent.

"Monetary policy cannot allow scope for passing on increased costs through increased prices",

he told a bankers' dinner in Frankfurt.

His words are likely to disappoint the financial community and the Frankfurt stock exchange, where the DAX index rose almost 2 per cent yesterday in reaction to the pay settlement, and on hopes of lower interest rates.

The immediate effect of the deal, however, was to lift the cloud hanging over the engineering industry, and raise hopes of similar deals in other sectors.

An arbitration recommendation for the country's 1.5m building workers is due to be announced today having been held back from Saturday, apparently to await the outcome of the

negotiations on the engineering workers' claim. A similar recommendation will be made today for the printing industry. The IG Medien union, representing print workers, is demanding an 11 per cent pay rise, and is conducting token strikes in protest at a 3.3 per cent offer.

The textile workers' union CTB yesterday also called for token strikes among its 150,000 members in support of a 9.5 per cent claim. Their employers have made no offer.

Pay deal boost for D-Mark and shares

By David Waller in Frankfurt and James Blitz and David Marsh in London

GERMAN share prices and the D-Mark were boosted yesterday by news that the German government had reached agreement on a 5.8 per cent wage package with metalworkers. But market relief was tempered by uncertainty over the impact of the settlement on the rate of inflation.

The DAX index of 30 leading German shares closed about 2 per cent higher yesterday, gaining 34.6 points to 1,758. The D-Mark also gave its first strong performance on currency markets for several weeks. By the end of European trading yesterday, it was at a three-month high against the dollar at DM1.5955, and had gained against most currencies in the European Monetary System.

The markets' bullishness reflected a positive, but not jubilant, response to the settlement. Markets had been expecting a strike and were pleasantly surprised at the last-minute turn of events. "It was a lot better than it could have been," said Mr Günter Kirchhain of Deutsche Bank's Düsseldorf-based institutional equities team. "It suggests that the much-heralded German disease may have turned out to be no more than a viral infection after all."

Others attributed the zest in the foreign exchange to technical factors. Some D-Mark traders believed the currency's strength yesterday resulted from continuing uncertainty about the dollar rather than the pay settlement.

Foreign exchange traders fear that the Federal Reserve in Washington might cut rates at its Federal Open Markets Committee meeting today, widening the differential between US and German rates still further.

Traders in all markets agreed the settlement was positive for the economy, but they said the complexities of the deal made immediate assessment of its impact on inflation difficult.

Mr Hans-Peter Rodnolock of James Capel in Frankfurt was emphatic that the settlement removed the threat of a "wage-

Continued on Page 18

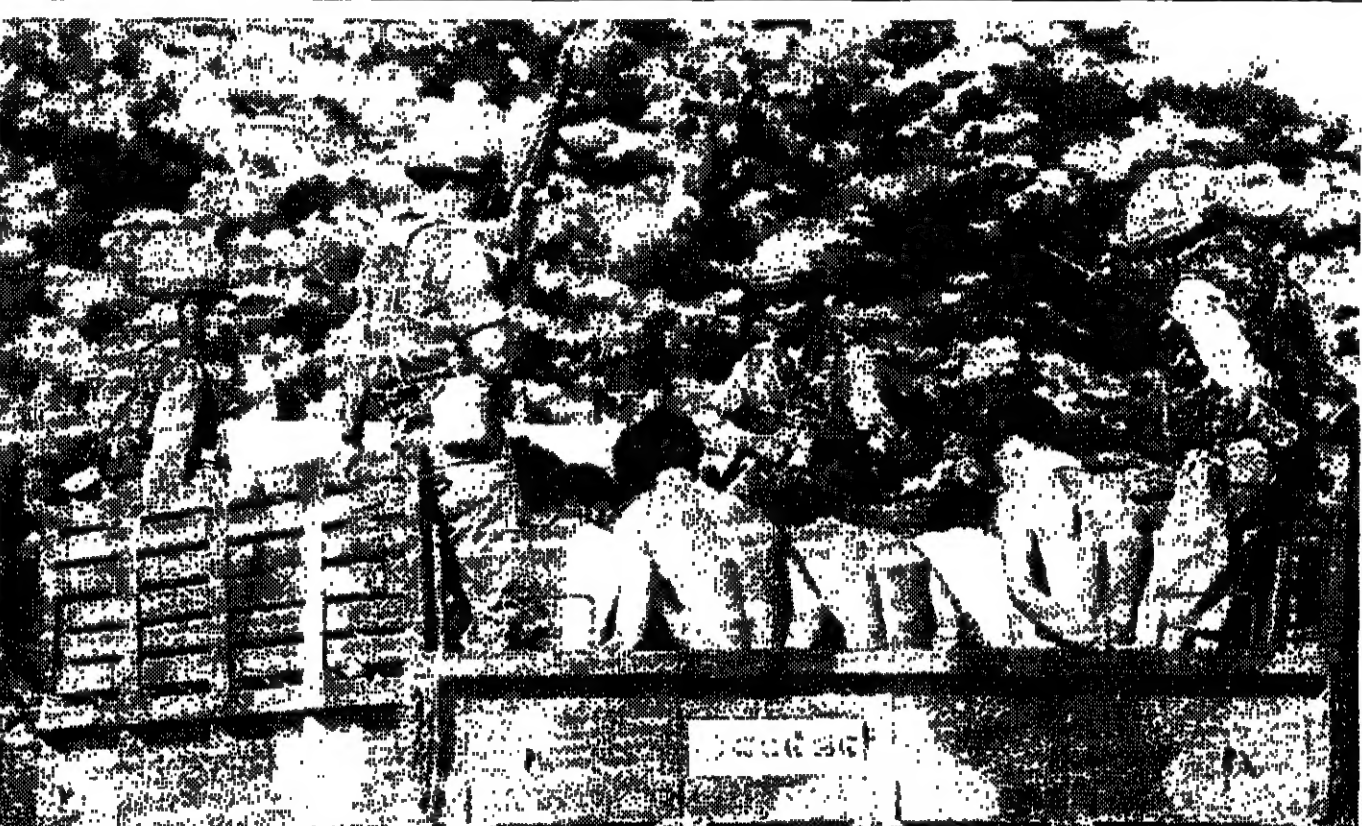
Currencies, Page 36
World Stock Markets, Back Page Section II

Thai army fires on democracy protesters

By Victor Mallet in Bangkok

THAI TROOPS struggling to regain control of Bangkok fired on anti-government demonstrators in the city centre with machine guns and rifles last night, killing at least seven people and wounding more than 100.

Witnesses said the soldiers fired volley after volley at thousands of protesters outside the Royal Hotel. A doctor said that three people, apparently dead, and 25 bleeding from gunshot wounds were carried into the lobby.



Thai troops guard a truckload of demonstrators who were among those arrested during pro-democracy clashes in Bangkok

Protesters set alight several buses and cars, which were left strewn across the streets, and smashed the windows of government buildings. Early today army snipers fired from rooftops in an attempt to force protesters off a central boulevard.

The violence, which has been concentrated on a large area of the city near the Democracy Monument, has aroused concern among foreign investors and Thailand's trading partners.

In Tokyo yesterday, Japan's government spokesman Mr Koichi Kato said he hoped order would be restored quickly.

"Political stability in Thailand is extremely important for the stability of south-east Asia, and therefore we are concerned," he said.

The Foreign Office in London advised Britons to delay any travel to Bangkok and in Washington the US State Department said joint military exercises with Thailand were under review.

Earlier in the day troops fired over the heads of a group of protesters and surrounded them, arresting the opposition leader Mr Chamlong Srimuang and tak-

ing him away in handcuffs.

General Suchinda Kraprayoon, the prime minister, imposed a state of emergency in an attempt to restore order, but the crackdown only served to inflame the now leaderless demonstrators.

Throughout the day soldiers dispersed crowds of youths who promptly reassembled in scattered groups waving flags, setting vehicles ablaze and demanding the resignation of General Suchinda. Officials said troops had killed at least five people since the start of the unrest on Sunday, but other reports said the number of casualties was much higher.

Tourism, one of Thailand's main foreign exchange earners, is likely to be seriously affected. Government offices and schools are closed until Thursday, although banks and the stock

market are supposed to reopen today after a Monday holiday.

Reckless young men on motorbikes were often in the vanguard of yesterday's scattered protests, harking back to the anti-government demonstrations of the 1970s. However, the demonstrators' opposition to heavy-handed military involvement in politics is widely shared by Bangkok's increasingly affluent and educated population.

Mr Chamlong, a devout Buddhist and anti-corruption campaigner who was once himself a general in the army, served two terms as governor of Bangkok and is particularly popular in the capital. Just before he was arrested, he told reporters that the demonstrators would make "no compromise at all".

General Suchinda, the former armed forces chief, said the gov-

ernment had no choice but to use force because the protesters were marching on government buildings.

arranged a coup d'état last year to overthrow the elected government of General Chatichai Choonhavan, accusing it of excessive corruption, and the military subsequently installed a businessman, Mr Anand Panyarachun, as interim prime minister. But General Suchinda went on

to earn the wrath of liberals for accepting the premiership himself - despite a promise not to do so - from a coalition of pro-military parties which won the elections in March this year. He then included several allegedly corrupt ministers from the Chatichai government in his cabinet.

Opposition leader wins heart of Bangkok, Page 6
Editorial Comment, Page 16

European partnership seeks to gain control of Fokker

By Paul Betts in London and Ronald van de Krol in Amsterdam

DEUTSCHE Aerospace, Alenia of Italy and Aerospaziale of France are negotiating to acquire joint control of Fokker, the Dutch aircraft manufacturer, in a move which could lead to a radical realignment of the hard-pressed European regional and commuter airline industry.

The German, French and Italian companies are already partners in the Regiojet regional aircraft consortium formed last year in which Deutsche Aerospace (Dasa), part of the Daimler-Benz car group, owns 50 per cent with the other two partners holding 25 per cent each.

Aerospaziale yesterday confirmed this partnership was now seeking to acquire 51 per cent of Fokker with Dasa taking 26 per cent and Aerospaziale and Alenia each taking 12.5 per cent of the Dutch aircraft group, which has a current total market capitalisa-

tion of Fl1.24bn (\$670m).

Dasa, which already co-operates on the Fokker 100 twin-engine jet, has been holding wide-ranging talks with the Dutch company since March. Alenia already owns a 6 per cent stake in Fokker through its state-controlled parent, Finmeccanica.

Apart from taking a controlling stake in Fokker, the partners are also proposing to set up a joint marketing company to promote all their various commuter and regional aircraft products.

The negotiations are understood to be difficult because it is unclear whether the possibility of foreign ownership of Fokker would be acceptable in the Netherlands.

The Dutch government, which owns 32 per cent of Fokker and has repeatedly said Fokker will need to find an industrial partner if it wants to develop new aircraft, is expected to play a crucial role in any deal.

The outcome of the talks is also uncertain because of possible

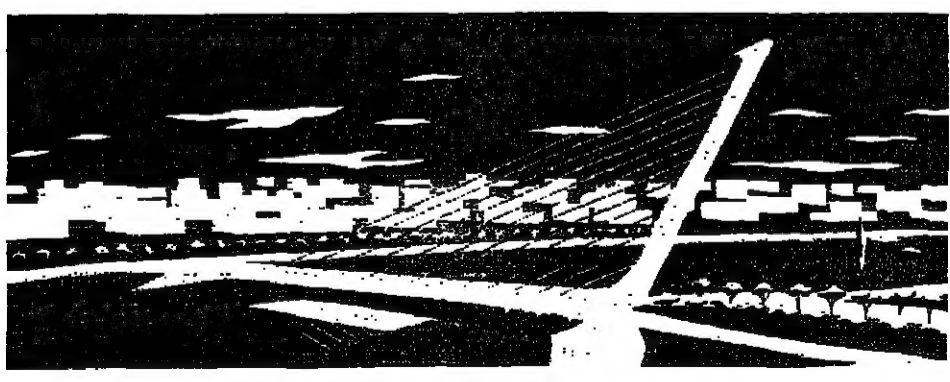
complications from the European Commission, which recently blocked an attempt by Aerospaziale and Alenia to acquire De Havilland of Canada from the US Boeing company.

Fokker said yesterday: "The talks [with Dasa] are going well but the outcome is still unknown: we'll know more in three to four weeks." Fokker's shares closed Fl2.50 higher at Fl36.20.

Any deal would also have significant implications for British Aerospace, which is seeking to rationalise its loss-making regional aircraft activities. BAe has said a restructuring of the regional airliner sector is necessary because there are too many manufacturers in a market depressed by the financial problems of smaller airlines.

A French aerospace industry official yesterday did not rule out the possibility that BAe might eventually also consider joining the new European regional airliner partnership if the current negotiations are successful.

The Spanish have an inclination towards British Steel.



We supplied all 3,500 tonnes of the steel needed for the deck structure of the spectacular Puente del Akumillo.

It's the world's first suspension bridge with no back-stay cable.

We also made 40% of the high speed railway line that stretches from Madrid to Seville.

Travel on it to Expo'92, then you'll discover our steel even provides the framework of the British Pavilion.

Small wonder the Spanish aren't the only nation leaning towards us.



British Steel: British mettle

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NEWS: EUROPE

Civil war displaces more than 1m people as fighting rages on in Yugoslavia

Europe fears massive influx of refugees

By Judy Dempsey in London, Laura Silber in Belgrade and Robert Graham in Rome

THE displacement of more than 1m people - the largest movement of refugees in Europe since the Second World War - will increase over the coming days as the war in Bosnia-Herzegovina spreads to other cities, officials from relief agencies said yesterday.

This grim warning was made as Italy, bracing itself for an exodus of refugees, called for urgent talks with its European Community partners. The move was prompted by fears that it could face a massive influx of refugees after 600 people reached Trieste at the weekend.

Last night a train with some 2,000 Bosnian refugees was being held up at Zagreb station pending clearance from either the Italian or Austrian authorities.

"The killing and the fighting is leading to an acute refugee crisis. It will get worse," said Mr Michael Steiner, co-ordinator of Germany's humanitarian aid mission in Zagreb, the capital of Croatia. Mr Steiner said the Croatian government was finding it increasingly difficult to deal with the growing numbers of refugees.

Croatia is looking after 494,000 refugees. An estimated 200,000 have fled from eastern Slavonia, eastern Croatia after they were driven out by Serb militants and the federal army last year.

The remainder have come northwards from Bosnia after fighting started six weeks ago.

Croatia and Slovenia will become independent members of the United Nations under separate resolutions approved by the Security Council yesterday, writes Michael Littlejohns in New York.

Bosnia-Herzegovina has also applied and is expected to be cleared shortly, further confirming the break-up of the old Yugoslav federation, a UN founder-state.

Yugoslavia was officially reduced last month to the republics of Serbia and Montenegro while retaining federal status.

Most are being put up in schools, hotels, halls, or by Croatian families and relatives. But resources and space are running out. Yesterday, Mr Zvonimir Separovic, Croatia's foreign minister, sent a letter to the foreign ministers of the Conference on Security and Co-operation in Europe appealing for assistance. "The wave of refugees is not ending. Croatia is accepting them but cannot take care of them. Europe has to decide whether to accept them or help to give them a chance of survival," he said.

Mr Steiner, the German Foreign Ministry's special humanitarian envoy to Croatia, said the war in Bosnia could increase the number of refugees by a quarter of a million. "This situation is becoming desperate here, and in Bosnia," he added.

Yugoslav federal army troops and Serb irregulars yesterday attacked Tuzla, northern Bosnia, which until

recently was an oasis of co-existence between the Moslem, Serb and Croat communities. Apparently, the attack is retaliation for nine federal soldiers killed last week.

Elsewhere in the republic, Serb forces tried to capture the eastern city of Gorazde, a last Moslem stronghold where 30,000 people are now trapped in the city, while Croat troops tried to consolidate their hold over parts of Herzegovina, west of Bosnia.

Over 1m people are displaced throughout the republics of the former Yugoslavia. Apart from nearly half a million in Croatia, 270,000 are seeking refuge in Serbia, 233,000 in Bosnia-Herzegovina, 40,000 in Slovenia, and 24,000 in Montenegro.

A further 200,000 have sought refuge in Austria, Germany and Hungary.

Ms Nanda Nachampassak, an official at the UN High Commission on Refugees in London said innocent people in Bosnia were "fleeing out of fright and panic."

"We still want to try and get a convey to Sarajevo [the capital of Bosnia-Herzegovina]," she said. "There are 100,000 children in the city. A quarter of them are under the age of three. They have no milk..."

As part of the diplomatic drive to end the bloodshed in Bosnia, Mr Andrei Kozyrev, Russian foreign minister, yesterday arrived in Belgrade.

He is due to meet Serbian president, Mr Slobodan Milosevic, and will visit the capitals of the former Yugoslav republics.



The spoils of war: a Serbian refugee uses a bicycle to transport his belongings past a corpse near Osijek, eastern Croatia

German pay deal manageable, say experts

By Christopher Parkes in Bonn and Edward Balls in London

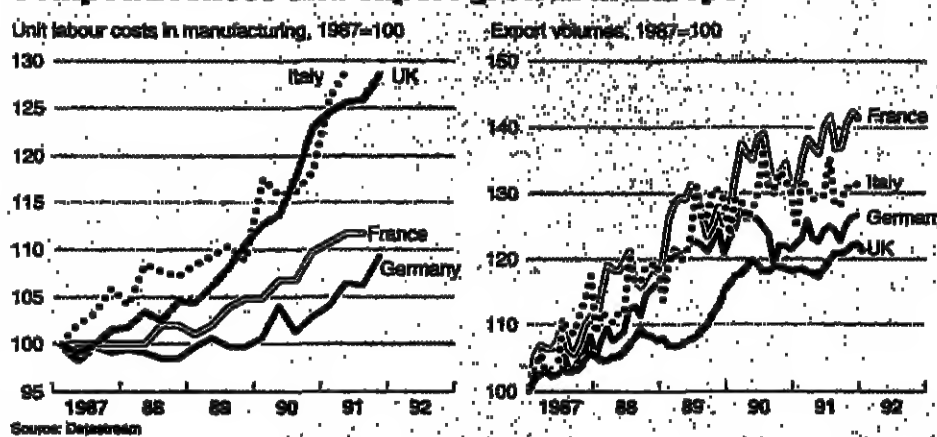
THE trend-setting pay agreement in the German engineering sector is higher than employers wanted but low enough to be bearable this year.

The 5.8 per cent deal with IG Metall, Germany's most powerful union representing 4m workers, suggests that average industrial pay increases this year will settle below the 8 per cent allowed for in most economic forecasts. In the opinion of Mr Willi Leibnitz, head of the macroeconomics department at the Ifo economics institute in Munich, the package is "not a complete disaster as was feared."

But the settlement is considerably higher than the 4 per cent recommended by the group of economic advisers labelled the "five wise men".

Relatively rapid wage inflation, at least by German standards, combined with depressed productivity growth, mean that manufacturing industry's unit labour costs will continue to rise more quickly than in other large

Competitiveness and export growth in Europe



European countries this year, further eroding the gains in export competitiveness of the late 1980s.

The tensions arising from the cost of German unification will remain a threat to west German competitiveness over the next few years, according to Mr Leibnitz. Ordinary people, hit last year with a 7.5 per cent income tax levy and parallel rises in duties on tobacco, petrol and heating oil, have failed to understand the neces-

sity for sacrifices to finance reconstruction in the east, he said.

Intensive talks between unions, government and industry are needed to persuade people of the fiscal costs of unification and the need to reduce public sector borrowing, Mr Leibnitz argued.

"It will be very critical when value added tax goes up 1 per cent next January that the lesson has been learnt that indirect taxes cannot be used as a

basis for wage negotiations... [the union] leaders have recognised the problems, but I don't see that their members have really accepted the situation."

German specialists at the Organisation for Economic Co-operation and Development said the west German pay deal was less damaging than the agreements within the metal industry to equalise wages in the east and western Länder by 1996.

Last year's OECD report was strongly critical of the fast pace of wage convergence between east and west and called for wage subsidies to close the gap between high east German wages and low relative productivity.

Mr Reinhard Firsching, economist at J-P Morgan in Frankfurt, argues that the engineering industry agreement makes wage convergence process even more difficult.

"This deal makes the 1996 target almost impossible for east German companies to meet." However, the deal will ease inflationary pressures over the next few months. Pay disputes in the construction and printing sectors are now with arbitrators and deals there are expected soon. "The 1992 pay round is now all sewn up," said Mr Juergen Pfister, senior economist at Commerzbank.

Mr Alexander Batschari, spokesman for the VDMA engineering industry association in Frankfurt, said the 5.8 per cent could prove difficult for some companies. "But what was the alternative? There would have been strikes and lock-outs and we could have ended up with an even higher deal."

Prague launches sell-off scheme

By Ariane Genillard in Prague

CZECHOSLOVAKIA yesterday launched its voucher privatisation programme as Czechs and Slovaks began bidding for the future shares of over half the country's enterprises.

The 8.5m citizens who earlier this year subscribed to the scheme by buying a book of vouchers for a nominal sum will have until June 8 to choose the enterprises in which they want to invest. They will receive their shares later this year.

A total of Kcs292.6bn (\$3.7bn) worth of equity, calculated on the book value of some 3,000 enterprises, will be distributed.

The launch of the voucher scheme before next month's general elections is a success for Mr Vaclav Klaus, the federal finance minister and leader of the most popular party in the Czech republic.

The launch was originally scheduled for February and Mr Klaus has waged a battle with government officials to ensure that bidding would start before the elections on June 5. His last-minute victory over bureaucratic delays will allow him to flag the voucher scheme as a personal triumph during his electoral campaign.

Dazzled by the sheer choice of enterprises, and often lacking basic information about them, two thirds of the future shareholders have opted to entrust their vouchers to private investment funds which will select enterprises for them. Vouchers are expected to be converted into shares by the autumn, once the selection process is completed.

The initial allocation of shares will be done in the two weeks following June 8. But enterprises which are over-subscribed will be re-offered for higher bids.

The process will be carried through five rounds which, government officials say, will establish a "valuation" mechanism in voucher terms for the shares.

Russia's central bank chief faces pressure to quit

By John Lloyd and Dmitri Volkov in Moscow

THE HEAD of Russia's central bank, Mr Georgy Matukhin, was yesterday accused of breaking the law and faced a call for his resignation.

Warning of "financial collapse" because of soaring debts between enterprises, Mr Alexander Pochinok, chairman of the Russian parliamentary budget committee and a member of its presidium, said he would demand Mr Matukhin's resignation during parliamentary hearings on the central bank later this week or early next.

He said the bank had broken the law and terms of its charter by refusing to produce a report on its activities due last Friday. The bank had also appointed and dismissed board members without reference to the parliament.

An investigation, related to taking bribes, is now in train. However, Mr Pochinok said there was no confirmation of newspaper allegations that

credits had been advanced to members of the government or parliament.

He said the central bank had followed the government's restrictive credit policy too closely. This had resulted in an inter-enterprise debt of Rbl5.5 trillion, and non-payment of wages by enterprises amounting by May 1 to Rbl87bn.

There was now a severe danger of "financial collapse" because of the restrictions in credit.

Mr Matukhin has been a political football in recent months - blamed by the Russian government for adopting a loose credit policy, and now apparently losing his previous parliamentary protection for being too tough.

Mr Pochinok said new candidates for chairman and board members were being considered, but gave no names.

Mr Boris Fedorov, a former finance minister and now a senior member of the European Bank of Reconstruction and Development, is the government's favourite.

Upheaval fails to halt building of warships

By Andrew Slade

RUSSIA is continuing to build big warships despite funding problems, and its submarine operations have hardly been affected by the dissolution of the Soviet Union, a western naval authority said yesterday.

Capt Richard Sharpe, editor of Jane's Fighting Ships, the 1992-93 edition of which was published yesterday, said production of nuclear missile-carrying submarines had come to a temporary halt last year, but three nuclear-powered hunter-killer submarines and three diesel-powered craft had been launched.

He warned that proliferation of submarine expertise was one of the main problems posed by the break-up of the Soviet Union. Iran is said to be interested in buying one or two diesel-powered submarines.

Of the former Soviet Union's 24 naval yards, 14 were now under civilian control. Capt Sharpe predicted that if this trend continued, Russia would probably have only two major submarine yards, with perhaps another two yards producing large surface vessels and three building minor warships.

However, at least three of these yards were each equivalent to any other naval yard in the world, and there would therefore be little reduction in building capacity.

Crimea pulls back from drive for independence

By Chrystie Freenland in Kiev

THE presidium of the Crimean parliament yesterday caved in to Ukrainian political pressure and backed down from its separatist bid.

If the Crimean parliament, due to meet tomorrow, follows the presidium's recommendation, the prospect of a Crimean breakaway from Ukraine, which has strained relations between Ukraine and Russia, could fade. Moscow gave Crimea to Ukraine in 1954.

The presidium of the Crimean parliament recommended that the parliament annul its rather ambiguous May 5 declaration of independence following a resolution passed by the Ukrainian parliament last week which declared the Crimean move unconstitutional.

Crimea's surprising turnaround may have been inspired by a statement over the weekend supported by 17 out of Crimea's 22 city mayors who said that if the Crimean government continued to violate the Ukrainian constitution they would obey only Ukrainian laws.

Ukrainian deputy prime minister Mr Konstantin Maslyk has been busy over the past few days seeking to appease Crimean officials with offers of expanded autonomy and increased financial support.

Moscow may keep nuclear missiles on Kazakh soil

By John Lloyd

MR Nursultan Nazarbayev, the president of Kazakhstan, yesterday forecasted the shape of new defence alignments in the former Soviet Union when he said Russian nuclear missiles may in future be allowed to be based on Kazakh soil.

Mr Nazarbayev, who was leaving Moscow for an official visit to the US after talks on Sunday with Mr Boris Yeltsin, the Russian president, said the missiles at present in Kazakhstan would be returned to Russia, and that future stationing of part of the Russian nuclear armory would depend on the two states reaching a "mutually advantageous" agreement.

Kazakhstan, with Ukraine and Belarus, are expected to sign a protocol to the Start treaty on nuclear weapons soon, allowing the implementation of a treaty stalled for some months by disagreements between the four nuclear states of the former USSR.

Agreement has now been reached between them, and between them and the US, that all four should become signatories to Start - after which the three non-Russian states would accede to the Nuclear non-Proliferation Treaty, and return all tactical and strategic weapons on their territory.

Mr Nazarbayev emphasised that the decision to send all nuclear missiles to Russia and to negotiate an agreement on basing Russian missiles in Kazakhstan in future was possible because of the signing last Friday in Tashkent of a collective security agreement between six of the 11 members of the Commonwealth of Independent States.

The signatories to the agreement are Armenia, Kazakh-

stan, Russia, Tajikistan, Turkmenistan and Uzbekistan.

Of these, the last three are poor Central Asian states who cannot afford to support their own military, and who have CIS forces on their territory paid for by Russia. Mr Yeltsin said last week that Russia could come to an arrangement with other states to base units of the Russian army on them by agreement.

Kazakhstan, evenly balanced between a Slav and Kazakh population, has under President Nazarbayev pursued a largely pro-Russian policy, and has proposed itself as a "bridge" between East and West.

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Compromise welcomed by unionists representing 4m engineering workers

IG Metall trade union breathes sigh of relief

By Andrew Fisher in Frankfurt

THE mood at the IG Metall trade union headquarters in Frankfurt yesterday was one of relief rather than jubilation that a west German engineering strike had been averted by a last-minute settlement.

"It's a compromise," said Mr Horst Neumann, deputy head of economic research at the trade union. "I'm pleased there's not a strike, but the risk that the 21-month settlement will be overtaken by inflation next year has not disappeared."

The union, representing nearly 4m workers in the German engineering industry was happy that employers' demands for a pay settlement of less than 5 per cent - the formal initial offer was only 3.3 per cent - were effectively overcome.

The union was also relieved the already agreed move to the 35-hour week has not suffered a setback.

IG Metall's own demand was 8.5 per cent, a level presented by Mr Franz Steinkühler, head of the union, as a concession to mounting concern in Germany over inflation and monetary stability. The latest annual inflation figure was 4.3 per cent, though it has touched 4.8 per cent this year.

But Mr Neumann added, many of the union's disgruntled members do not necessarily separate out the official consumer price figure from the overall burden on their incomes.

"Price rises, tax increases, higher consumer tax levels - these are all seen as part of the same thing."

Thus it was that the preliminary warning strikes called by the union in recent weeks to bolster its claim had such a strong response.

"We were pleased, and the employers possibly surprised, at the size of the turnout. People were willing to get into buses and travel to demonstrations". On some days, more than 100,000 people

took part in warning strikes of up to four hours.

Such actions, Mr Neumann reckons, must have swayed what he calls "the radicalised Mittelstand" - the host of small- and medium-sized companies which had lined up firmly behind demands for as low a wage increase as possible after last year's settlement of 6.7 per cent.

Many of them, especially in the automobile supply sector, are suffering from an intense squeeze on profit margins in the face of weak foreign markets and pressure from the car companies to keep prices low.

In IG Metall's view, this is a problem within the industry that should not be solved by keeping a lid on pay. The employers see it differently, though it is noticeable that some of the motor manufacturers expressed less concern about settlements approaching 6 per cent than did smaller engineering and components companies.

The risks from an all-out strike would have been high on both sides. Because of a change in the law, employees laid off or put on short-time working because of a strike at another plant would not have been entitled to state welfare. This would have put pressure on the union to widen strike action so that it could pay all affected members from its own funds.

Employers had also threatened extensive lockouts so that the consequences of a strike could have been severe. Many companies, especially in the car industry, rely heavily on just-in-time deliveries, which would have been totally disrupted.

If a strike had occurred, said Mr Neumann, "it would have been like a raging fire over a wide area". Obviously, neither the employers nor the union wanted any of the opprobrium which such an event would have caused.

Italian unions angry over this month's missing pay rise

By Robert Graham in Rome

THE Italian union movement has protested vigorously over the refusal of the government and industry to pay an inflation-indexed wage increase this month.

The CGIL, the largest of the three union confederations, has taken the matter to the courts, and the metalworkers' union has threatened a protest strike on May 29.

Yesterday, in an attempt to head off a wave of protest, Mr

Franco Marini, the outgoing minister of labour, held talks with the three main confederations and will hold a similar meeting today with Confindustria, the industrialists' association.

Italy's *scala mobile* system of indexed-linked wages went into abeyance at the beginning of the year following agreement between the government, unions and employers that broad negotiations on labour costs and wages would resume this June.

At the time Confindustria, which has long sought to abolish the *scala mobile*, said it regarded the system as dead. With average wages projected to increase to 5.8 per cent this year, Confindustria calculated topping up wages would have resulted in an effective increase for employers of 7.5 per cent. However, the unions warned that they expected a final payment.

The CGIL claimed that many wage deals last year had been negotiated with this May's

scala mobile payment included. The increase sought by the CGIL would amount to only an extra £28,000 (£12.67) a month in take-home pay. But the protest is less about money than principle. The unions are also aware they need to flex their muscles in advance of next month's tough talks with Confindustria on wage costs.

These negotiations will be a crucial test on whether the two sides can agree on measures to ease the European Community's most rigid labour market

and create a more competitive wage structure for industry. The unions recognise the climate of industrial relations is changing and that formal wage indexation is unrealistic. Nevertheless, they are anxious to safeguard their members in an economy which has consistently showed unpredictable and high levels of inflation.

After an abortive ninth joint session of parliament yesterday, the country's politicians were still no closer to finding a candidate capable of

winning sufficient cross-party support to be elected president.

Socialist efforts to present a candidate backed by potential allies in the International Socialist movement - the former communist Party of the Democratic Left (PDS) and the Social Democrats - collapsed early yesterday.

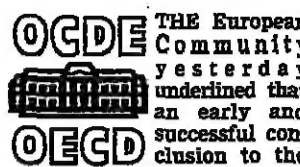
Too much mistrust appeared to exist between the opposition PDS and the Socialists, who are partners in the outgoing Christian Democrat-led four-party coalition.

NEWS: OECD ANNUAL MEETING

Andriessen stakes out tough negotiating position

EC insists on US trade talks concessions

By Peter Norman, Economics Correspondent, in Paris



THE European Community yesterday insisted that an early and successful conclusion to the Uruguay Round of trade liberalisation talks will depend on US concessions. Mr Frans Andriessen, European Commission vice-president and top EC negotiator in the Round, yesterday rejected the notion that Community concessions on agriculture alone would open the way to a deal.

Mr Andriessen, who was attending the annual ministerial meeting of the Organisation for Economic Co-operation and Development, is due in Washington shortly for talks with Mrs Carla Hills, the US special trade representative, and possibly with Mr James Baker, the secretary of state.

He staked out a tough negotiating position, insisting that the EC would be unable to accept any deal that did not include acceptable terms on services and market access, where the US is holding up agreement, as well as agriculture, where the EC acknowledges it has problems making concessions.

He also laid down other conditions. The EC wanted a "peace clause" that would exempt any agreements on agriculture from the terms of a new subsidy code under the General Agreement on Tariffs and Trade, guarantees of com-

pensation for EC farmers reducing output, and comparable rules governing the reduction of internal farm subsidies and support for exports.

The EC was prepared to make concessions on agriculture, Mr Andriessen said, provided the US also shifted its position on the remaining areas of dispute. But he raised the temperature in the transatlantic war of words over trade by attributing the Round's problems to the US because it had pressed from the start for 100 per cent elimination of farm support.

This brought a barbed response from Mr Rufus Yerxa, US deputy trade representative. He pointed out that the US had shown "quite a lot of flexibility" in the talks. "I hope he's not indicating that the EC is not prepared to tackle the problems of the common agricultural policy because that is what is needed for a successful Uruguay Round."

The potential benefits of the stalled Round were highlighted yesterday by Mrs Barbara Franklin, US commerce secretary. Achieving an agreement could boost US gross domestic product by a trillion dollars over the next decade and lift the world economy by five trillion, she said.

But it was the impasse over trade which overshadowed yesterday's talks on how to boost growth and cut unemployment. "There clearly is impatience that agreement should be reached," said Mr Michael Portillo, the UK's chief secretary to the Treasury.

Governments aim their subsidies at narrower targets

By Peter Norman, Economics Correspondent

GOVERNMENTS are cutting the subsidies they give to industry but are becoming more sophisticated about how they subsidise, according to the findings of a large international investigation by the Organisation for Economic Co-operation and Development.

It has built up a data base of subsidies in 22 of its 24 member countries (the exceptions are Luxembourg and Greece) and the European Community as a first step to developing guidelines that would help policy makers avoid unfair and trade distorting subsidies. These guidelines would be subject to monitoring through a process of "peer review" in the OECD's industry committees.

The OECD looked at subsidy policies between 1986 and 1989. It found that the total net cost to governments of the 879 subsidy programmes reported to it averaged \$68bn a year in the period, representing about 2.5 per cent of the annual value-added in manufacturing in its 24-nation area. This, it said, represented "a sizeable macro-economic sum".

However, the total amount of support dropped from \$74.6bn in 1986 to \$53bn in 1989, or by about a third in real terms. While the amount of subsidy given through tax breaks almost halved from \$49.3bn to \$25.7bn, governments gave more to industry through direct subsidies. Direct financing of subsidies such as aids for investment, research and development, regional development and export promotion rose sharply from \$25.3bn in 1986 to \$36.1bn in 1989 before falling to \$27.4bn in 1989.

The OECD warns that these figures fall short of the total level of industrial subsidy in its member states. There are gaps in its data base, reflecting such problems as measuring subsidies given by public sector entities other than central government. The subsidy element in government procurement of civil and military goods and services is obscure.

There is also no national breakdown of subsidy totals.

But certain trends have emerged from the study. Tax reforms have led to a shift away from general purpose subsidies such as general investment support through such instruments as capital allowances, to more focused measures. The share of general investment support in the net cost of subsidies to governments fell from 71 per cent of the total in 1986 to 49 per cent in 1989. In the same period, the share of R&D support increased to 13 per cent from 10 per cent, while export related support rose to 20 per cent from 8 per cent respectively in 1986.

It appears that regional development expenditure has played a bigger role in investment support. Industrial subsidies to help regions accounted for 22 per cent of total subsidy costs in 1989 against 14 per cent in 1986.

The OECD found that subsidy policies varied considerably among countries. General investment aid was the dominant policy objective in the US, although export-related and R&D spending also was high. Japan targeted its subsidies mainly on R&D and small and medium-sized companies. In Germany, regional policy was the main reason for subsidy in the period under review which preceded the fall of the Berlin Wall and unification. In the UK, regional development and export promotion were the main subsidy objectives although R&D and small and medium-sized concerns received considerable support.

The organisation says its investigation has improved understanding among governments of the structure and mechanisms of industrial support. It has also led to a "substantial leap forward towards transparency".

But the Paris-based organisation says more has to be done, including the gathering of more up-to-date data, if proper international discipline is to be brought to the complex world of industrial subsidies.



Farm surpluses expected to grow

By Peter Norman

THE INDUSTRIAL world's farm surpluses will continue to grow in the medium term unless present output-based support policies are changed, the OECD warned yesterday.

In its latest review of efforts to reform agricultural policies, the organisation said there had been insufficient adjustment to farm policies in recent years, with the result that competitive conditions on international markets continued to be distorted. Neither support for agricultural production nor the costs carried by consumers through higher prices showed any significant decrease last year.

Production support, as measured by an internationally standardised unit known as the producer subsidy equivalent (PSE) totalled \$177bn last year compared with \$180bn in 1990. Most of this was financed

AGRICULTURAL SUPPORT: OECD					
			Change from 1989 %	1991	Change from 1990 %
Assistance to producers					
Total PSE (US\$bn)	147.9	180.2	+ 21.9	177.0	-1.8
(Ecu bn)	134.3	142.0	+ 6.0	143.2	+ 0.1
Percentage PSE	40	45		45	
Implicit tax on consumers					
Total CSE (US\$bn)	111.4	133.0	+ 19.4	134.7	+ 1.3
(Ecu bn)	101.2	104.8	+ 4.0	109.0	+ 4.0
Percentage CSE	32	39		37	

PSE/CSE totals have been rounded and percentage changes calculated from unrounded data. 1990 estimates 1991 provisional. Source: OECD

by an implicit tax on consumers, paid through higher prices. The consumers' burden of farm support rose to \$135bn last year, when measured in internationally standardised consumer subsidy equivalents (CSE), from \$133bn in 1990.

The OECD said total farm subsidies were much higher, however. It estimated that total transfers to agriculture, as measured by PSEs, CSEs and other items such as welfare payments to rural areas

and support for storage of stockpiled farm products, rose by about 5 per cent to an estimated \$320bn last year.

The OECD said political impediments to reform largely explained why the movement to cut surpluses and subsidies had made little headway in recent years. Although the overall benefits of reform clearly outweighed the costs, those who stood to lose opposed reform actively.

The organisation said

Labour reforms will bring more jobs, says UK

By Peter Norman

ECONOMIC growth would be firmly established in Britain this year, ensuring that the UK played its part in a sustainable world economic recovery, Mr Michael Portillo, chief secretary to the Treasury, forecast yesterday.

Thanks to the labour market reforms of the past decade, he said, Britain would be able to sustain a higher level of employment without succumbing to inflationary pressures than in the early 1980s.

Mr Portillo told the OECD annual ministerial meeting that Britain was continuing those reforms with measures to restrain unofficial strikes. Changes in education and vocational training would lead to higher standards and a better qualified workforce.

There was a danger, however, that European Community social policies could intensify unemployment by making labour markets less flexible. The draft EC directive on working time, which Britain opposes, could impose an additional cost of around £5bn on UK employers, he said.



Portillo: critical of EC social policies

Mr Portillo underlined that he and other ministers from the OECD's 24 industrialised member states saw "no quick fix" to the problem of unemployment. But confidence was returning to Britain, he said. The full benefits of lower inflation and the drop in interest rates from 15 per cent in October 1990 to 10 per cent today had yet to come through.

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NEWS: AMERICA

Who might be who as a Number Two

THE MOST intriguing political news story of the week was to be found in the New York Post, not normally a reliable source. It reported that Mr Ross Perot, Texas businessman and presidential aspirant, had held secret talks with Mr Mario Cuomo, governor of New York, and dangled in front of him the prospect of the Number Two slot on the independent ticket. The Hamlet of the Hudson confirmed the conversations and went on to say that the Texan "has more credibility than politicians". But then, typically, he deflated the balloon. The vice-presidency had not come up because "Perot knows I'm a Democrat and I will support Clinton".

But, with the two main nominations sewn up, barring accidents, and Mr Perot free to make his own choice, attention inevitably turns to who runs with whom. President George Bush will go with a known commodity, Vice-President Dan Quayle, but Governor Bill Clinton, who will be the Democratic party's candidate, and Mr Perot have to find somebody capable of making a difference.

So seriously is Mr Clinton taking the issue that he has

asked Mr Warren Christopher, one-time deputy secretary of state, Washington lawyer and author of last year's devastating report on the Los Angeles police department, to head a search committee.

The pundits' choice is Senator Bill Bradley of New Jersey. He would bring regional bal-

Jurek Martin on the field of possible choices for the Clinton and Perot campaigns

ance, national stature (greatly enhanced by his prescient speech on race relations in March), sporting fame, political compatibility, the lot. The popular view is that he would have made a stronger presidential candidate than Mr Clinton. But Mr Bradley did not run for the nomination and insists that he is going to live up to his promise to serve out his Senate term, which expires in 1996. Mr Clinton said he would serve out his term as governor of Arkansas, but the suspicion is Mr Bradley means it.

There is a growing assumption that Mr Clinton will need

someone with Washington experience, and there are more heavyweights in the Senate than in the House, which is in any case mired in scandal. The Senate short-lists normally include Jay Rockefeller from West Virginia (safe pair of hands, good name, lacks fire, from a small state); Tom Harkin from Iowa (early candidate, liberal credentials not necessarily an asset); Bob Kerrey from Nebraska (also failed candidate, better in print than in the flesh); John Kerry from Massachusetts (smart, ambitious, not well-known outside New England).

Also: Harris Wofford, the new man from Pennsylvania (a northern Catholic, but liberal compared to Mr Clinton); Paul Simon from Illinois (ran in 1988, from a critical big state, but again rather liberal); and George Mitchell from Maine (majority leader, once a judge, ability not in doubt, but from a very small state and a real Washington devil in the Republican lexicon.)

Democrat Paul Tsongas, who once posed the biggest threat in the primaries, probably would not accept, in the unlikely event he was asked, and seems intent on launching a fiscal responsibility lobby

Presidential aspirants and some potential running mates



with Republican Senator Warren Rudman from New Hampshire, who has announced his retirement in disgust with the ways of Congress. Mr Cuomo might be approached, for all his rudeness to Mr Clinton, but an answer might not be forthcoming before the election.

Mr Clinton will undoubtedly consider some state governors and some women but, needing the South as he does, will not be seeking a black. Also, no Asian or hispanic automatically springs to mind.

Mr Perot has a "temporary" running mate, retired Admiral William Stockdale, but he was named only to overcome technical problems getting registered on state ballots. Beyond that, there are few clues to his thinking, though Senator Rudman's reputation for plain speaking might appeal, and Governor Lowell Weicker, the maverick liberal Republican turned independent from Connecticut, is sounding more like Mr Perot every day.

If he is looking for a woman, Ms Jeane Kirkpatrick, UN ambassador in the Reagan administration, is on record as saying that "if Ross Perot were to ask me, that would be very serious". Ms Ann McLaughlin, former Republican secretary of labour, has also reportedly

been sounded out. One equally delicious theory, on a par with the Cuomo filer, has Mr Perot picking retired General "Stormin'" Norman Schwarzkopf to help sort out the national mess. However, General Curtis "bombs away" LeMay added little to the last potent independent candidacy of George Wallace in 1968.

Mr Perot could stick to his last and pick a businessman, but the corporate heavyweights are not all enthusiasts. Mr Robert Allen, chief executive of AT&T, noted the other day: "It would be refreshing to hear Ross ask for some advice."

Ecuador elects to follow path of market reform

Stephen Fidler on consequences of the left's declining popularity

ECUADOR appears set after elections on Sunday to follow the rest of Latin America towards a more open market-oriented economy. The new president will be either Mr Sixto Durán, 72, or Mr Jaime Nebot, 45, who will face off in a second round on July 5. Mr Durán won 32.3 per cent of the valid votes cast and Mr Nebot 25.4 per cent. Both favour privatisation and moves to open the economy and make it more responsive to market forces.

This is in contrast to the administration of President Rodrigo Borja Cevallos which, although lowering some tariff barriers, has resisted the shift towards more liberal economic policies sweeping the continent.

Mr Borja's Democratic Left party, along with other socialist parties, suffered a sharp setback in Sunday's local, congressional and presidential elections.

In theory, this suggests a new administration should have the support of a sympathetic right-of-centre legislature. In practice, dealing with a Congress fragmented among a dozen parties will be difficult and a common economic cause will not necessarily overcome party rivalries.

Mr Jaime Durán, director of Informe Especial, a political survey group, said a combination of local and international events contributed to the left's decline.

The collapse of communism in east Europe and the success of market-oriented economic policies elsewhere in Latin America were significant. On top of this, many voters considered the Borja administration as mediocre and worn out.

It has presided for four years over growth of 2.3 per cent, which translates in per capita terms to economic stagnation. Inflation is down from its highs, but still running at an annual 50 per cent. Ideology counts for little among most voters.

Furthermore, the right-of-centre candidates satisfied traditional regional divisions in Ecuadorean politics. Mr Durán, mayor of Quito for eight years and twice unsuccessful as presidential contender, is viewed as the highland candidate; Mr Nebot as the candidate of the hot coastal regions around Guayaquil.

Mr Durán, an architect born in Boston, Massachusetts, who

studied at Durham University in England, claims blood ties with the coast and may have the better claim to represent the whole of the country. He took more than a fifth of the coastal vote, while in the highlands Mr Nebot took only 12 per cent.

However, Mr Durán, while viewed as honest and unlikely to fall prey to cronyism, is a less dynamic campaigner than the more charismatic Mr Nebot. The latter is also likely to benefit more from the 21.2 per cent of votes cast for Mr Abdala Bucaram, a populist of Lebanese extraction who is also from the coast.

On the other hand, Mr Nebot is viewed with suspicion by the left, which has no candidate in the second round.

Mr Nebot's Social Christian party secured at least 19 seats in the 77-seat Congress. Mr Durán's Republican Unity won 13 but the Conservative party, with which it is in alliance, enjoyed a resurgence and took seven seats.

If Mr Nebot loses he may prevent his party co-operating with the administration, thus improving his chances of election in 1996. A year ago Mr Durán pulled out of the Social Christian party, of which he was a founder, to form his new movement.

Whoever wins, the new administration should be able to count on more support from international financial institutions and western governments, particularly the US. But the task ahead will not be easy. By some estimates, Ecuador is 10-20 years behind neighbouring Colombia in its economic development.

There are fears that Ecuador's small economy of 11m people will be shattered by exposure to international competition.

It is heavily dependent on oil, which accounts for 40 per cent of export revenue, but the commodity will run out in a decade at present rates of usage. High consumption and smuggling into Colombia is encouraged by low prices of between 60 and 70 cents a gallon.

Raising petrol prices should be a priority for a new government, which could use extra revenues to balance its budget. But that is one politically-sensitive subject both candidates will be anxious to avoid over the next seven weeks.

Mexico attempts to cut teachers' power

By Damian Fraser in Mexico City

THE Mexican government is to decentralise public education in a move aimed at curbing the powerful teaching union's effective veto over plans to modernise the system.

Responsibility for budgets, teacher training, salary negotiations and regional variations in the national curriculum will be transferred to the 31 state authorities, although the federal government will continue to set guidelines and provide most resources.

The reforms seek to reduce the power of the National Teachers Union to obstruct change by, in effect, dividing it into state chapters.

The changes have been accepted by leaders of the union which, with 1m members, is the largest in Latin America and one of the traditional props of the ruling Institutional Revolutionary party.

However, a senior government official said he expected resistance to the changes in parts of Mexico City, Michoacan, Chiapas and Oaxaca. Most Mexicans' poor standard of education is explained mainly by rural poverty and lack of finances. Mexico spends a lower proportion of its GNP on education than Brazil, Chile and Costa Rica. However, poor teacher training, teacher absenteeism, weak supervision, understaffing of rural schools and lack of teacher evaluation are widely blamed on the union's unwillingness to impose greater discipline on teachers.

The curriculum will also be revised, placing greater stress on problem-solving and practical applications in mathematics, and on actual reading and writing rather than on the structure of the Spanish language.

Cavallo, economy minister, wants them to pay taxes on the assets and "begin repatriating their wealth".

Unofficial estimates indicate that attempts to encourage the return of flight capital have so far been disappointing. If the latest move is successful, the extra taxes will be used to finance small companies and bolster the social security fund. Those complying will be given an amnesty on any tax offences committed up to April 1.

Tax dodging was once part of the Argentine way of life. That changed when Mr Cavallo took up his post last year and ordered a crack down. This, combined with economic recovery, increased tax revenues to \$1.84bn in April, against \$1.03bn a year earlier.

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Motorola builds semiconductor plant in China

By Michio Nakamoto

MOTOROLA, the US manufacturer of semiconductor and communications equipment, is building a factory in China to make these products primarily for the Chinese market.

The group will officially announce plans to invest \$20m (\$27.7m) in a factory in Tianjin, a port city outside Peking, next month, when it will hold the ground-breaking ceremony. The factory will be built on property which is part of the Tianjin Economic Development Authority.

In 1989, Motorola announced plans to invest about \$300m in a plant in China. The project was suspended after the Tiananmen Square clampdown on dissident students.

Motorola expects gradually to expand the project, employing several hundred people after the facility is completed in 1993, but increasing the

number of employees to nearly 1,000 later in the decade.

Peking has been promoting investment in high-technology industries. Motorola's decision to go ahead with the investment follows an announcement by NEC of Japan, in September 1990, to form two joint ventures with Chinese companies to make digital electronic switching systems and large-scale integrated circuits for use in a wide range of consumer products.

Philips, the Dutch group, and BTM of Belgium have already set up joint ventures to produce large-scale integrated circuits in China.

Although the sale and export of certain products, including all but the simplest semiconductors come under scrutiny by Cocom, the Paris-based organisation which monitors the export of sensitive products with potential strategic applications, Cocom rules are being gradually eased.

Denmark-Sweden ferry link-up is agreed

By Andrew Hill in Brussels

THE European Commission yesterday cleared a link-up between ferry companies operating a busy short sea-crossing between Denmark and Sweden, but promised to watch the companies' pricing policy on the service.

It is the first time Brussels has ruled on such a case in the ferry industry, using special rules on the application of EC competition law to the sector.

The precedent will be examined by main operators on other short-sea routes, for example, Sealink Stena Line and P&O, across the English Channel. In March, the UK Department of Trade and Industry refused to let P&O merge its Dover-Calais services with those of Sealink, ahead of Channel tunnel competition.

The Commission said it would allow Danske Statshavn and Statens Järnvägar, the Danish and Swedish rail and ferry monopolies, to pool their ferry operations with those of Scandinavian Ferry Lines on the crossing between Helsingør, north of Copenhagen, and

Helsingborg, Sweden.

Brussels found the agreement would curb competition between the companies, but said the disadvantages would be outweighed by travellers having a more frequent service on new, large-capacity ferries, with lower costs. The Commission will monitor the joint services to check savings are reflected in prices.

Brussels argued the companies were competing not only with one another on the Helsingør-Helsingborg crossing, but with ferries on other routes between Germany, Denmark and Sweden. Under the original agreement, they would automatically have operated joint services on new routes between Sweden and Denmark, but to avoid future curbs on competition, the trio have been forced to drop that clause.

The Commission said its decision only referred to the supply of ferry services, not touching on the market for harbour services, which are often provided by ferry operators and could be used to restrict competition from competing ferry companies.

Fifteen oil groups set to invest in Algeria

FIFTEEN oil companies have offered to invest up to \$4.2bn (\$2.37bn) in Algeria to recover 1bn barrels of oil over 20 years, the state-owned energy giant Sonatrach said. Reuter reports from Algiers. The companies had offered to invest in eight fields, Sonatrach added. It had evaluated bids on six.

The bidding companies have proposed to finance a multi-phase development programme amounting to a total investment of between \$3.7bn and \$4.2bn on the six fields.

The output improvement contemplated for the six fields under consideration is expected to start in 1995 and reach, by the end of the century, 200,000 barrels a day.

The offers were preliminary and while negotiations continued with selected companies, details would remain confidential. Industry officials said US, French, Japanese, Italian, Norwegian, Danish and Canadian companies had shown interest.

In February, Mr Ray Yran, chief executive of Occidental Petroleum, said: "We are interested in increasing our activities in Algeria to help it raise its gas and oil production."

Footwear quota spells 'threat to trainers'

By Andrew Hill in Brussels

CONTROVERSIAL proposals to impose an EC-wide quota on imports of cheap Chinese footwear could increase the cost of trainers for EC consumers, manufacturers say.

Trade officials from the Twelve yesterday discussed a Commission proposal for EC quotas in different categories of shoes, including the growing market for trainers. They broke up without agreement, with a majority said to favour the quota proposal. Britain, Germany and the Netherlands asked the Commission to supply further economic justification for the measure for their meeting this week.

Chinese officials are in Brussels to discuss the proposals. China might suggest a voluntary agreement to restrain exports, but Brussels does not seem to favour such deals.

Instead of scrapping quotas altogether, Brussels decided to press for harmonised EC quotas in specific areas, assessed according to the value of imports. Quotas will be abolished in other markets, such as waterproof footwear.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development (OECD) announced new minimum interest rates for officially-supported export credits for May 15 - June 14 (Apr 15 - May 14 in brackets):

D-MARK	9.29 (9.27) per cent
ECU	9.38 (9.21)
FRENCH FRANC	10.12 (10.14)
GUILDER	up to 5 years 9.60 (9.70), 5-8.5 years 9.40 (9.50), more than 8.5 years 9.30 (9.40)
ITALIAN LIRA	12.04 (11.94)
YEN	5.80 (same)
PESETA	12.26 (12.25)
STERLING	10.64 (10.55)
SWISS FRANC	7.67 (7.60)
US DOLLAR	for credits of up to five years 6.93 (7.15), 5-8.5 years 7.78 (7.85), for credits of over 8.5 years 8.15 (8.26).

These rates are published monthly by the Financial Times, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days. SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries. The SDR-based rate was most recently changed on February 15. It will again be subject to change on July 15.

Indonesia in a bind over foreign investment policy

Less-than-clear rules, says William Keeling, means much may still have to be decided in a back room

INDONESIA'S investment policy has been through a mangle, squeezed between the government technocrats who champion deregulation and the large business groups who profit from central decision-making. At issue is the state's role in the financing of large-scale projects: nearly \$80bn-worth has been queuing up for approval.

The government set a ceiling in October on new foreign borrowing for state and private banks, state enterprises and private companies, and Bank Indonesia, the central bank. It also announced a timetable for 14 large-scale projects to proceed between 1991 and 1998, while four petrochemical projects were indefinitely postponed. A further 94 projects, in areas as diverse as wood pulp, mining and telecommunications, were to be reviewed.

The decision was in response to a burgeoning private and public international debt, which increased 44 per cent to \$76bn in three years, and concern over a current account deficit of \$4.3bn in 1991.

But as one Jakarta banker said: "In Indonesia, a government decision is seen as an invitation to negotiate." A series of intense backroom negotiations followed.

In April, the government

	INDONESIA: CEILINGS ON FOREIGN BORROWINGS (US\$BN)					Total
	State banks	Private banks	Bank Indonesia	State enterprises	Private companies	
1991/92	0.9	0.5	0.5	1.5	2.5	5.9
1992/93	1.0	0.5	0.5	1.0	2.6	5.6
1993/94	1.0	0.5	0.5	1.2	2.7	5.9
1994/95	1.0	0.5	0.5	1.4	2.8	6.2
1995/96	1.0	0.5	0.5	1.6	2.9	6.5
TOTAL	4.9	2.5	2.5	6.7	3.5	30.1

Source: Government of Indonesia

announced that the Chandra Asri plant, one of the postponed petrochemical projects, would go ahead. This came as little surprise: Bank Bumi Daya, a state-owned bank, had already provided the project a \$550m line of credit; the project's backers included the Bimantara Citra conglomerate, headed by President Suharto's second son, and Mr Prajogo Pangestu, a leading Indonesian businessman and close associate of senior politicians.

But approval was given with provisos: the project had to be wholly foreign-owned - a first for a company outside a bonded zone (where companies must export production); the project had to be scaled down from \$2.35bn to \$1.6bn, and Bank Bumi Daya's irrevocable letter of credit would be transformed into a short-term borrowing loan. It is unclear how the

Indonesian backers will meet these criteria.

Last month, the government announced that the rule on 100 per cent foreign ownership was not exclusive to Chandra Asri. Full foreign ownership is now allowed for companies investing more than \$50m in projects in the highly-populated provinces of Java and Sumatra, while those with lower investment must be based in the more remote provinces. Previously, foreign companies had been allowed 95 per cent ownership of joint ventures which were export-orientated; their equity had to be reduced to 49 per cent within 15 years.

The decision has been an important deregulatory step, but some economists believe it provides a loophole to by-pass the ceiling on foreign borrowings - which applies only to domestic institutions and

enterprises - and may worsen the current account deficit.

Government officials say loans raised offshore to finance wholly foreign-owned ventures will not count as Indonesian debt, although they accept that servicing such loans will have the same effect on the balance of payments as foreign loans raised by domestic companies. Economists are concerned that a shadow debt, not recognised by government but nevertheless serviced by the country's export earnings, will grow.

Indeed, there is concern that the ceilings on foreign borrowing set last year are already being broken. Private banks have supplied Bank Indonesia with details of foreign loans but have not been given individual limits or told if they are collectively within the ceiling.

Economists say that the central bank is reluctant to



Prawiro: curb on borrowing

enforce the ruling because this would be tantamount to a foreign exchange control. One minister conceded: "Bank Indonesia has suggested to us that perhaps the [private bank] ceiling may have to be raised."

The ceilings on all five categories may have been unnecessarily tight, with one economist saying that even World Bank officials felt that the ceiling limits were being overdone.

The government appears to have adopted a loose interpretation of the limits: it esti-

mates, for instance, that the eight projects scheduled for 1992-94, which include two units at the Paiton electrical power complex in East Java, have a total value of \$2.2bn.

Yet officials at the government's Investment Co-ordinating Board say that the Paiton units alone have investment approval of \$2.2bn, although this sum may include money raised locally. Other projects tabled for the period include a \$440m gas pipeline and an outer ring road for Jakarta.

Industry officials also say that the \$2.5bn Exor-1 refinery project in West Java, not on the government's list of approved projects, will now go ahead, as will the \$200m upgrading of the Balikpapan refinery in East Kalimantan.

Likely to be approved under the 100 per cent foreign ownership rule is Exor-3, a \$1bn project to refine crude oil for export which a joint-venture of BP and Caltex is studying.

Government officials say that a further 11 refinery and petrochemical projects worth \$18.6bn remain "on hold," and Dr Rudi Pradipto, senior economics minister, insists that the days of government funding for mega-projects are numbered. "We will curb foreign borrowing. We are not going to finance big projects," he says.

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330,340.

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NEWS: INTERNATIONAL

Opposition leader wins hearts of Bangkok people

By Victor Mallet in Bangkok

THERE WAS no doubt yesterday that Mr Chamlong Srimuang, the devout Buddhist opposition leader arrested by soldiers in central Bangkok, was the hero of the day for tens of thousands of anti-government demonstrators and for an equal number of bystanders.

Mr Chamlong has won the hearts of Bangkok residents from civil servants and secretaries to engineers and students, first by standing aloof from the corruption of other politicians as the city's clean-living, ascetic mayor and now by leading the most vigorous protest against military involvement in government since the 1970s.

"I don't know him personally, but I have followed what he's been doing

for society for a long time," said one machinery shop owner at a Buddhist temple overlooking yesterday's continuing skirmishes between troops and rioters. "He's not a guy to be taken lightly. When something's wrong, nobody wants to protest, but he speaks up."

Bangkok's relatively wealthy voters expressed their support for their former mayor in the general election in March, giving his Palang Dharma (Moral Force) party 32 of the 35 parliamentary seats from the capital, but pro-military parties bought sufficient votes in the countryside to form the present shaky coalition government.

Mr Chamlong subsequently resigned as leader of Palang Dharma in order to head a broad group of liberal politicians, academics and students seeking to give civilians more

weight in the constitution and oust Gen Suchinda Kraprayoon, the prime minister, because he is not an elected member of parliament.

Shopkeepers peered nervously from behind shutters yesterday as youths burnt police cars and fire engines and yelled defiance at the soldiers, but it was difficult to find anyone prepared to criticise Mr Chamlong.

Even those residents suspicious of Mr Chamlong seem prepared to drop their objections to pursue what they see as the more important task of defeating the military.

Youths who disobeyed Mr Chamlong's orders and started hurling missiles at the police on Sunday night before rampaging through the streets smashing and burning vehicles are widely dismissed as government "agents provocateurs", although

there is no evidence to support this.

Mr Chamlong, however, does not altogether escape criticism. Some older Thais are inclined to believe the official line that he is a troublemaker and a Buddhist heretic. Others think he lost credibility by starting a hunger strike to the death and then suddenly calling it off after less than a week, while Mr Chalod Varachud, a former MP from the Democrat Party, is still fasting over a month later.

Among the most doubtful about Mr Chamlong are members of the educated elite in their 30s who believe he took part in the right-wing suppression of student demonstrations in 1976 when he was an army officer.

His decision to condemn and lead Sunday's anti-government march has also been criticised as a tactical error which allowed Gen Suchinda to

declare a state of emergency and crack down on the protesters.

But overall, Mr Chamlong's firm stand against his former army colleague Gen Suchinda has made him the focus of the anti-government uprising. The places where he has spoken and joined his fellow demonstrators - Democracy Monument, the Sanam Luang park and the Phan Fa bridge - have intense historical and emotional undertones for those who remember the successful pro-democracy student protests of 1973.

"We just want the prime minister to resign," said a 35-year-old engineer trying to cross a barricade and join the demonstrators yesterday with his wife and his mobile phone. "If we win this time, I don't think the army will have power again."

See Editorial Comment

Slowdown fuels further rise in Japan's surplus

By Robert Thomson in Tokyo

JAPAN'S TRADE surplus for April rose 13.4 per cent compared with the same month last year to \$7.16bn (\$4.04bn), reflecting the strong increase in exports that has accompanied the slowing of the domestic economy.

Meanwhile, corporate bankruptcies rose 14 per cent from March. Tokyo department store sales were 5 per cent lower than in April last year, and wholesale prices were down 0.1 per cent from March.

In spite of the signs of economic slowing, the Ministry of International Trade and Industry (MITI) said the Organisation for Economic Co-operation and Development (OECD) was too conservative in its estimate of 1.8 per cent Japanese growth for 1992, and that the figure would be closer to the government estimate of 3.5 per cent.

The Ministry of Finance said customs-cleared exports rose 13 per cent from a year earlier to \$27.33bn and imports were 12.8 per cent higher at \$20.07bn, though the figure was distorted by a taxation change that led to a once-only 58 per cent increase in fuel imports to \$4.55bn.

Seasonally adjusted, the surplus fell from \$9.14bn in March to \$6.86bn, with a 4.3 per cent fall in exports and a 5.8 per cent increase in imports.

But year-on-year export growth was strong for most leading items and markets. Exports to the US rose 15.8 per cent to \$7.52bn and imports were unchanged at \$4.23bn, while exports to the European Community were 11.1 per cent higher at \$5.41bn and imports

rose 11.9 per cent to \$2.68bn, highlighted by the first increase in artwork imports in a year and a half.

The export rate of growth in trade with China, continued, with Japan's exports to that country rising by 37.2 per cent and imports up by 39.4 per cent. Present trends suggest that China will leapfrog Taiwan, South Korea and Germany to become Japan's second largest trading partner.

Exports of transport machinery, by value, rose 19.7 per cent on a year earlier, of chemicals by 19.4 per cent, of precision instruments by 15.8 per cent and of ordinary machinery by 13.1 per cent.

As for bankruptcies, Tokoku Data Bank, the credit research agency, said 48.8 per cent of the total were linked to the collapse of Japan's economic bubble or the slowing of the economy. The number of cases in April rose 33 per cent from the same month last year.

The Japan Department Stores Association said the 5 per cent fall in Tokyo sales during April was partly caused by unfavourable weather, which led to a 4 per cent fall in clothing revenue. Household goods sales were down 11.1 per cent, while sales of food items rose 4.8 per cent.

Bank of Japan officials, who are concerned that inflation could be stimulated by increased economic activity, said the composite wholesale price index fell 0.1 per cent from March, and was down 1.3 per cent from April last year. However, the bank remains concerned about price rises in the service sector.

Thais quick to defy army control

Peter Ungphakorn on the military's thirst for political power

MANY WHO saw Gen Suchinda Kraprayoon's press conference on February 24 last year, the day after the military seized power, were impressed by the performance of the Thai commander in chief.

His manner was friendly and relaxed, and he appeared willing to tolerate frank questioning. He also modestly admitted that he was not well versed in certain matters of state, such as the economy, and was therefore prepared to leave broad areas of policy to the experts.

A week later he further enhanced his standing in the eyes of many by appointing a respected and able civilian, Mr Anand Panyarachun, to be prime minister.

This was a stark contrast to the military dictators who dominated Thai politics for 40 years up to the 1970s, and still leave a legacy of thirst for political power within the army.

Fourteen months later, as



Gen Chamlong before his arrest yesterday and, right, a group of demonstrators are led away in handcuffs by army officers in Bangkok



prime minister and himself faced with a mass campaign against his rule, Gen Suchinda presents a different picture. But many analysts believe that even if he does win the current battle, the return of the military to full domination cannot be taken for granted.

It is significant that he is the first military prime minister to have been the target of such massive public opposition as soon as he took office.

A similar uprising, in October 1973, took place when the public became tired of years of dictatorship. This time, the public in Bangkok was determined not to let the military take control right from the beginning.

Part of the reason lies in the growing strength of urban civil society that has built up with the country's rapid economic growth and a lengthening of intermittent history of parliamentary democracy. In Bangkok and many urban centres, the public is much less willing to bow to the military.

Another part involves the image of Gen Suchinda and his colleagues that has emerged since last year's coup. His apparent indifference to public opinion has added to the alienation.

General Suchinda dominated the fifth class of cadets studying under the post-Second World War curriculum of the country's military academy.

The group is now known as Class 6. The year of graduation from the academy has come to be a key element in determining allegiances and enmities within the forces.

Class 5's politicisation came about in the late 1970s and early 1980s with the rise of a group two years his junior, Class 7. The Class 7 officers, who became disillusioned with years of fighting communism in Thailand's poorest provinces, were responsible for the appointment of several prime ministers, including Gen Prem Tinsulanonda.

Class 5's response to the Young Turks, who looked as though they might overtake them, was to form a "Democratic Soldiers" group, and much of the internal military conflict in the 1980s was between the two.

Three figures have emerged as leaders of Class 5 since last year's coup: Gen Suchinda, Air Chief Marshal Kasat Rojananil, the Air Force chief who succeeded him as Armed Forces Supreme Commander, and Gen Isarapong Nonnaphak, the premier's brother-in-law who replaced him as army chief.

Several other Class 5 figures are in positions of power, and two members of the Nonnaphak family have risen to important command positions.

Because many of the officers also have business interests, the Bangkok public, including

much of the business community that would once have worked hand in hand with the military, has become highly suspicious of the degree of domination.

The opposition is therefore seen as a civilian response to the return of the military, and in many ways it is. But it is also important that many of the elected politicians leading the opposition in fact have military backgrounds.

Maj Gen Chamlong Srimuang, the near ascetic former governor of Bangkok, who was arrested yesterday, was a member of Class 7 before he left the army. This may explain why the prime minister treated his actions with utmost suspicion.

NEWS IN BRIEF

Taiwan releases leading dissident

TAIWAN released its most prominent dissident from prison and granted amnesties to seven other political activists yesterday after revising its sedition law. Reuter reports from Taipei.

Mr Huang Hua, 32, a former presidential candidate of the main opposition Democratic Progressive Party, had been sentenced to 10 years in prison in December 1990 for demanding that Taiwan declare independence from China.

PNG mining deals under fire

Sir Michael Somare, Papua New Guinea's foreign minister, threatened yesterday to redraw the resource-rich nation's mining agreements if his party retains power after the June national elections. Reuter reports from Port Moresby. "It has been too long now that resource developers have been taking PNG for a ride," he said.

Four boycott Lebanon cabinet

Four ministers boycotted the first meeting of Lebanon's new cabinet yesterday, warning of a crisis of confidence over its ability to revive a war-shattered economy. Reuter reports from Beirut. The Lebanese pound plunged to close at a record official low of L1,650 to the dollar, 4.8 per cent down from Friday, as Mr Rashid al-Solh's Syrian-backed cabinet convened.

Kuwait to sell off petrol stations

Kuwait is to privatise petrol stations, the first step in plans by the cash-strapped government to transfer some companies to the private sector. Reuter reports from Kuwait City. The cabinet decided on Sunday night that the petrol stations could be transferred to individuals as well as companies. Mr Hamoud Abdullah al-Rooba, oil minister, is to draw up regulations to implement the measures in six months.

S African murder probe ordered

South Africa's chief detective has been told to investigate evidence that a cabinet-level committee ordered the 1989 murder of black activists. Reuter reports from Cape Town. The Law and Order Ministry said Col Carol Brits, national head of the murder and robbery unit, would go to Port Elizabeth to lead the investigation into the unsolved murder of Mr Matthew Goniwe.

Sudan changes currency

Sudan yesterday announced the introduction of a new currency which it said would help fight inflation and reduce the cost of printing banknotes. Reuter reports from Khartoum. The Bank of Sudan said the currency, the dinar, would be worth 10 Sudanese pounds. Accordingly, a dollar would fetch about 10 dinars at today's rate of exchange. The Sudanese pound would continue to circulate alongside the dinar for some time.

Moslems and Christian clash

Battling Moslems and Christians rioted and looted in northern Nigeria, setting churches and cars alight and causing "a huge loss of lives," the Kaduna state government said, AP reports from Lagos.

Indonesian voters face jamborees

By William Keeling in Jakarta

INDONESIA'S strict election code, which includes a ban on political party supporters forming a convoy of more than three vehicles, yesterday lay in tatters.

Hundreds of motorcycles, their riders and passengers waving the red flag of the Indonesian Democratic Party (PDI), trawled the streets of Jakarta, honking horns, waving slogans at bemused pedestrians and generally having a political ball.

Members of the ruling Golkar party, in power since 1972, have promised not to make empty promises during the campaign and have turned their rallies into jamborees instead. Campaign podiums have been occupied mostly by singers and dancers, with the occasional politician making a short political statement.

The use of such an approach is questionable. Many of the bikers supporting PDI, dressed in red T-shirts emblazoned with PDI's symbol of a discented bull, were youngsters ineligible to vote at the June 9 poll.

The local press has been calling on the government to allow greater political expression and an end to entertainment rallies.

"I'd prefer three votes, then I could give one to each party. They're all the same," complained a businessman.

Suspended Bombay broker tries to embarrass authorities

By David Housego in Bombay

THE BOMBAY stockbroker implicated in a financial scandal yesterday sought to embarrass the Indian monetary authorities by declaring that his alleged illegal transactions were common practice in the Indian interbank securities market.

Mr Harshad Mehta, who was suspended from membership of the Bombay Stock Exchange on Friday after his assets had been frozen by the Central Bureau of Investigation (CBI), claimed yesterday that the Reserve Bank of India, the central bank, was "fully cognizant of these practices".

In a letter to the CBI which he released publicly, he claimed that he had violated no law. He said that all his transactions had been in line with prevailing practice - "a

practice which is by no means secret or clandestine".

Mr Mehta's counter-charge is embarrassing the authorities because it is increasingly clear that the channelling of funds out of the interbank money and securities markets to finance share purchases has a long history.

It appears that Mr Mehta's operations were, however, on a much larger scale - including raising Rs6.2bn (\$120m) from State Bank of India, the largest commercial bank, on the basis of securities he allegedly did not hold.

Mr Mehta's defence is strikingly - and perhaps intentionally - similar to the one being used by ANZ Grindlays, the largest foreign bank in a dispute with the Reserve Bank of India over whether it violated RBI regulations. Grindlays paid a cheque issued to it by

another bank in the course of a securities transaction into Mr Mehta's account - though the RBI does not allow the use of brokers' accounts in interbank transactions.

The domestic commercial banks and the foreign banks are to meet today in an effort to reconcile their accounts in the interbank securities market to discover the extent of false and uncovered paper.

The foreign banks are meeting separately with Mr S. Venkatarmanan, the governor of the Reserve Bank, to put their own views on tightening the operation of the market.

In thin trading, the Bombay 30-share index edged up 61.68 points to 3,466.16 on the strength of institutional support. Brokers said private investors stayed away from the market.

Ramos widens lead in Philippine presidential election

By Jose Galang in Manila

ACCUSATIONS of fraud among candidates in last week's Philippine presidential election further fuelled uncertainty yesterday, as Mr Fidel Ramos, the administration-backed candidate, widened his lead in the count.

With nearly 32 per cent of the estimated 36.7m votes

counted last night, Mr Ramos, former defence chief, had a margin of 301,900 votes over Mrs Miriam Defensor Santiago, the combative former immigration commissioner who had claimed victory early in the slow vote-counting process.

Mrs Santiago had accused her rival of "wholesale election fraud" and threatened to launch protest demonstrations.

Her camp announced plans to divulge evidence of the alleged fraud tomorrow.

Mr Eduardo Cojuangco, a business associate of the late President Ferdinand Marcos, maintained his hold on third slot. Mr Cojuangco, claiming that he would take the lead once the votes from the provinces were tallied, had accused the administration of Mrs Cor

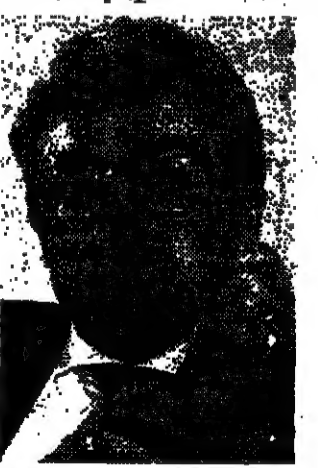
azon Aquino of illegal spending to influence the vote.

Mrs Imelda Marcos, the once-powerful widow of the late dictator, another candidate, yesterday refused to appear in a court arraignment in connection with charges of illegal currency holdings overseas.

She said she would boycott all court hearings - she is facing more than 50 suits in vari-

ous courts - in protest against what she alleged as widespread fraud in the election. She was still in fifth position yesterday in a field of seven candidates.

The Manila stock market composite index, after an upbeat mood last week following a generally peaceful May 11 polling, yesterday fell 21.26 points, or 1.6 per cent, to 1,317.11.



Richardson: denies any wrongdoing

Inflation surge highlights gloomy state of Israeli economy

By Hugh Carnegie in Jerusalem

AN UNEXPECTEDLY high rise in inflation, until recently one of the few indicators in Israel to show an encouraging trend, has highlighted the gloomy state of the immigration-burdened economy as the June 23 general election campaign picks up pace.

While the debate between the ruling Likud party and the Labour opposition tends to be dominated by the political issue of how to resolve the Arab-Israeli conflict, the government

is worried that record unemployment levels and lack of significant growth will damage its prospects among such key constituencies as new immigrants from the former Soviet Union.

The government statistics bureau tentatively reported a pick-up in industrial exports and investment in recent weeks, saying this could presage a recovery. Tourism is sharply up this year. But most figures offer the government little comfort.

The consumer price index rose 1.8 per cent in April, the highest monthly increase since last August when an

inflation surge driven mainly by rising house prices began to reverse. April is traditionally a high inflation month, but there were hopes that the index, which rose by 18 per cent in 1991, would be held lower at a time of stagnation in the economy.

A report by Bank Hapoalim says a slowdown that began in the second half of last year continued through the first quarter of 1992, its index of industrial production showing a downward trend from last August. Newly published final government statistics for 1991 show gross domestic

product rose 5.8 per cent last year. But per capita growth was negligible because of a similar rise in the population from Russian immigration.

The biggest worry has been the poor performance of exports. Meant to be the engine of successful immigration absorption, exports fell 2 per cent in 1991. Bank Hapoalim said industrial exports suffered a downward lurch in the first quarter of more than 4 per cent in dollar terms compared with the last quarter of 1991.

Unemployment has risen to about 12 per cent of the workforce. Among

new immigrants the rate is almost 40 per cent, a figure which is blamed for a steep fall in the flow of newcomers despite economic hardship in the former Soviet republics.

Meanwhile the government is facing budget pressures. Pledges to buy back from contractors thousands of unfilled apartments over-ordered in the rush to house immigrants could cost Shk3bn (£700m) this year. A 4 per cent pay supplement to public sector workers and plans to scrap an employers tax could cost more than a further Shk500m.

Public expectation of protection against all losses may damage financial system

Bank issues warning on regulation

By Emma Tucker,
Economics Staff

THE public's growing expectation that it should be protected against all loss caused by the failure of a financial institution could damage the long-term health of the financial system, Mr Eddie George, deputy governor of the Bank of England, warned yesterday.

In a speech to the Royal Institute for International Affairs, Mr George warned that

politicians and investors needed to understand the trade-off between the benefits of free, competitive financial markets and the social benefits of regulation.

Cautioning against the constraint on competition of excessive regulation, Mr George said that minimum standards should not be so demanding that institutions - such as banks, building societies, securities houses and insurance companies - could never conceivably fail. Nor should indi-

viduals expect to be fully compensated by the government.

"I have a sense that society is coming to expect an awful lot, including all the benefits of free markets on the one hand, and increasingly high standards of protection against a widening range of financial risks on the other," he said.

Regulation was not a "free good" available in unlimited amount, but a cost which the consumer ultimately had to bear.

Mr George said regulators

could not reasonably be expected to guarantee 100 per cent success in the area of consumer protection. A situation where depositors and investors felt they were relieved of all responsibility for counterparty risk, would place an intolerable burden on regulation.

Addressing the issue of fraud, Mr George said it was no more possible for regulation to prevent all abuse of the financial system, than it was for the police to eradicate all crime.

"In both cases the most that

can realistically be expected is that the policing activity should represent a very powerful deterrent," he said.

The Bank of England has come under strong criticism for its failure to intervene earlier in the activities of the collapsed Bank of Credit and Commerce International.

Mr George did not say where he thought the line between conflicting objectives should be struck. "There has to be a balance, but that balance is difficult to pin down," he said.

Britain in brief



FT team wins award for BCCI reports

A team of Financial Times journalists led by David Lascelles has won the Reporter of the Year award in the British Press Awards.

The award was won for the paper's investigation of the BCCI scandal. James Fergusson of the FT also shared the Graphic Artist of the Year award with Alan Gilliland of the Daily Telegraph.

Raymond Snoddy, the FT's media correspondent was commended in the Specialist Writer of the Year Award, a section won by the City Desk of the Mail on Sunday for their coverage of chairman's pay. The top award, Journalist of the Year, was won by Guardian journalist Martin Woolcott who the judges praised for helping "to put the human catastrophe of the Kurdish people at the top of the political agenda."

Asda cuts managerial jobs

Asda, the struggling Leeds-based grocery chain, has declared 500 management jobs redundant at its 206 stores as part of its continuing drive to reduce costs.

But the company plans to limit job losses by redeploying some affected staff in other functions. The move follows the loss of 350 jobs at Asda's headquarters in January.

Asda, the biggest employer in Yorkshire, said the job cuts reflected the cost benefits the company was able to derive from its investment in a centralised distribution network.

Army alert in Coalisland

Security forces in Ulster remained on alert in Coalisland following confrontations with residents of the County

Tyrone community which culminated in the shooting of three civilians by members of the Parachute Regiment.

The trouble flared at the weekend when a crowd confronted a patrol of the King's Own Scottish Borderers in the staunchly nationalist village.

During the violence a machine gun, capable of firing 1,000 rounds a minute, and a rifle, were taken from the soldiers. The rifle was later recovered and a search is continuing for the machine gun. The 3rd Battalion of the Parachute Regiment was summoned and during further disturbances three civilians were shot in the legs. Several troops were also injured, one seriously.

BOC to invest in new plant

BOC Group is to invest £45m in a new industrial gases production and liquefaction plant, together with a pipeline distribution system, to serve the steel industry in the Sheffield area.

The plant, at Brinsworth, Rotherham, involves the biggest investment of its type for BOC in the UK and coincides with the winning of a 15-year contract to supply oxygen by pipeline to three works operated in the region by United Engineering Steels.

Ofwat urges better services

Tougher service standards for water companies and increased compensation for customers for failure to comply have been suggested by the Office of Water Services (Ofwat), the industry's regulator.

Mr Ian Byatt, director general of Ofwat, has sent a series of proposals to the industry to upgrade the current guaranteed standards scheme introduced when the companies were privatised in 1989, and for a new code of practice about compensating customers in other areas of below standard service.

Nadir judgment reserved

A judge at Stafford Crown Court has reserved judgment for a week on an application by Mr Asil Nadir, the former Polly Peck chairman, to have charges against him dismissed. Mr Nadir is currently charged with 89 counts of theft and false accounting totalling £100m.

Cadbury plans new warehouse

Cadbury, the chocolate maker, has asked Birmingham City Council for planning permission to build a £17m temperature-controlled warehouse at Minworth, on the eastern side of the city, in a business park owned by a subsidiary of Severn Trent Water.

Labour leader wins support on electoral reform

By Ivo Dawney,
Political Correspondent

A SEVEN year battle by Mr Neil Kinnock, leader of the opposition Labour party, to reduce trade union influence over the selection of Labour MPs advanced significantly yesterday when a key party committee voted to replace an electoral college with a one member, one vote system.

The decision, agreed by 11 to 2 votes of the national executive's organisation sub-committee, looks certain to be endorsed by the full executive later this month in a final gesture of support for the outgoing party leader.

But the move is also likely to stir controversy and opposition among left-wingers and union activists when it is comes up for ratification at Labour's annual conference in the autumn at Blackpool.

Yesterday there were a number of abstentions and absences among important union members of the 24-strong committee including the GMB general union, usually firm leadership supporters.

Under the current arrangements, union branches affiliated to constituency parties (CLPs) can command up to 40 per cent of the vote in an elec-

toral college with the rest going to individual members.

A compromise proposal, broadly endorsed by conference last year, allowed CLPs management committees to opt for one member one vote or to allow unions a role based on a third of a vote each for each affiliated political levy payer.

Under Mr Kinnock's proposal, however, first mooted by the leader in 1985 and agreed yesterday, this formula would now drop in favour of a straightforward one member, one vote alternative.

Doubts are continuing to linger, however, among some unions, with Mr John Edmonds, the GMB leader, proposing that changes should only be made as part of coherent overall review of Labour's union links.

Presenting the case for change, Mr Kinnock was careful to stress that it did not represent an attack on the unions but merely a necessary step in order to allow CLPs to begin the reselection procedure next year - well in advance of the 1994 European elections.

But even before yesterday's meeting, Mr John Prescott, a candidate for the deputy leadership, expressed serious reservations about the speed and timing of the move.

Leftwing shift unlikely in UK trade union movement

BRITAIN'S biggest union for government officials, the Civil and Public Services Association (CPSA), may today elect as general secretary a leading member of the far left Militant group.

But this should not be taken as a sign of a shift to the left in UK unions, with activists looking to militant policies to defend them in the wake of Labour's election defeat.

After the Labour opposition's 1979 defeat there was a leftwing backlash, both in the party and the unions. With increasing confusion about what is "left" and "right" there is no evidence of the Labour party repeating that reaction in 1992.

The picture may be more complex in the unions. With the unity of the election campaign no longer required, and moderate supporters of Mr Neil Kinnock in the unions even more depressed than leftwing activists, the left may increase its representation on a few union executives.

But, despite some movement to the left in the past year, it is starting from a low base. Even in unions which are called "left-led", such as the Transport and General Workers Union, the left is often no more than an election machine with little ideological coherence.

Further, while the left may celebrate the odd victory, it is also losing leaders. Mr Roger Lyons, a pragmatist, will, for

David Goodhart on the political mood after Labour's general election defeat

example, take over the leadership of MSP general technical union, from leftwinger Mr Ken Gill in August.

Most important of all, the old backbone of the left in the party and the unions, the Communist Party, has collapsed along with its traditional paymaster, the Soviet Union. The collapse of communism and the smothering effect of "Kinnockism" - beyond left and right - has reduced the left in the unions to a rump.

In the early 1980s the Broad Left groupings in the unions were genuinely broad - ranging from the left of the Labour party, through the Communist Party to various Trotskyist splinter groups. Now, most Broad Left groups are synonymous with the Militant group, which appears to have shifted its "entryism" efforts from the Labour party to unions such as the CPSA.

A revival of the left depends on having issues to regroup around. No obvious ones are in sight. On basic industrial issues all trade unions, and all factions within them, are on the defensive.

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NEWS: UK

Joint venture to challenge British Gas

By Neil Buckley

COMPETITION in the industrial gas market intensified yesterday with the launch of an Anglo-Norwegian joint venture which aims to be the "major rival to British Gas".

Alliance Gas is a UK-based venture between British Petroleum, the oil and gas producer, Statoil, the state-owned Norwegian oil and gas company, and Norsk Hydro, the oil and gas company in which the Norwegian government also has a 51 per cent share. The company unites the UK's biggest North Sea gas producer and two companies with the largest Norwegian gas reserves.

Alliance aims for a 15 per cent market share of the industrial and commercial supply sector by the second half of the decade, when British Gas will have been forced to cut its share to less than 40 per cent.

Sir James McKinnon, director-general of Ofgas, the industry watchdog, said:

"For the first time we have got Norwegian companies in the market place, which is very important considering Norway's extensive supplies."

The company plans to supply customers of all sizes from the small commercial sector through to power generators.

Alliance has purchased the entire output of the Hyde gas field, off the Humberside coast in the North Sea, due to come

Union leaders of 37,000 office workers at British Gas rejected an offer to increase pay by 4 per cent. The company had previously offered 3.9 per cent.

Mr Dave Stirk, national gas officer of Nalco, said the offer was insufficient and would damage staff morale.

on stream in October next year. It also has interests in other North Sea fields including the Anglia, Welland and Beryl fields, capable of producing up to 25m cu ft a day. It will also bid for a share when British Gas sells off part of its contracted gas later this year.

From 1996 onwards, Alliance will be able to draw on substantial Norwegian reserves. The group also announced a marketing agreement with East Midlands Electricity, similar to that already announced by five regional electricity companies with Utilicorp, second-largest US gas producer.

Sixteen companies are now challenging British Gas. The rivals have emerged following a ruling by the Office of Fair Trading that British Gas should halve its share of the industrial market by 1996.

Lex, Page 18

TV companies bid £304m for soccer rights

By Raymond Snoddy and Jane Fuller

LIVE coverage of most soccer matches involving England's top clubs will only be available on satellite television following a record joint bid of £304m over five years by British Sky Broadcasting and the BBC.

The deal takes the amount paid for TV football rights into a new league.

ITV is in the last year of a four-year exclusive deal which cost a total of £44m. The new deal, moreover, applies only to the 22 clubs in the Premier League, while the old arrangement also benefited Football

League clubs in lower divisions.

BSkyB won the deal to broadcast matches played in the Premier League at a three-hour meeting of the chairman of the new league, which starts in August, despite an increased offer delivered to the meeting by Mr Greg Dyke, chairman of the rival Independent Television (ITV) Association.

BSkyB, a consortium in which Pearson, owners of the Financial Times, has a significant stake, will have the right to show 60 live games a season. This means that even in the first year the broadcasters will be paying nearly £1m a live

game. There are also plans to move to a pay as you view system, charging viewers for each game watched, and split the additional proceeds 50-50 between BSkyB and the Premier League.

Mr Alan Sugar, the chairman of Tottenham Hotspur who has an interest in distributing satellite dishes through his company Amstrad, said if £2 were charged per game, about £120m would be brought in per season if 15 per cent of 7m dish owners paid the fee.

Each of the clubs will be guaranteed £1.5m a year although the exact amount will depend on how many times

they feature in live coverage and their league position at the end of the season.

BSkyB will pay £40m in the first year of the deal, £42m in the second and £44m in the remaining three. In addition the satellite venture will pay £10m a year for sponsorship rights and £8m a year for overseas broadcast rights. The BBC will pay £4.5m a year for its more limited access.

The live BSkyB matches could go on a subscription channel so that pictures are only available to satellite homes paying a monthly fee.

The ITV bid was worth £28m in the first year, rising to £38m

US group aims to run Olympic facilities

By Ian Hamilton Fazez, Northern Correspondent

SPECTACOR, the US sports management group, yesterday emerged as a potential operator of the Olympic facilities planned for Manchester's bid to win the 2000 Olympic Games.

Organisers of the bid said Manchester United Football Club and Wembley Stadium, operators of the London sporting arena, have also expressed an interest in running the Olympic stadium and sports centres.

The facilities would create up to 3,500 permanent jobs and the organisers say there is a strong economic case for the new sports developments even if Manchester fails next year in its bid.

Outline plans were submitted for a stadium, a velodrome for cycling, a national sports training centre and nearby retail and commercial development. Formal consultations will now start with about 50 businesses which will be displaced by the plans. Special financial packages to help them are being prepared by the Co-operative Bank.

The aim is to get early planning permission so that construction of at least the 25m velodrome is well under way when members of the International Olympic Committee visit the city next year before awarding the games.

By then the site of the stadium should also be ready for construction to begin. The size of the stadium, however, will depend on the IOC decision - an 80,000-seater if Manchester is chosen; a 60,000-seater if it is not. A cost range of £100m to £120m is expected.

The government, however, which gave £35m towards the bid in February, still has to be persuaded to back a national stadium if Manchester fails to get the Olympics.

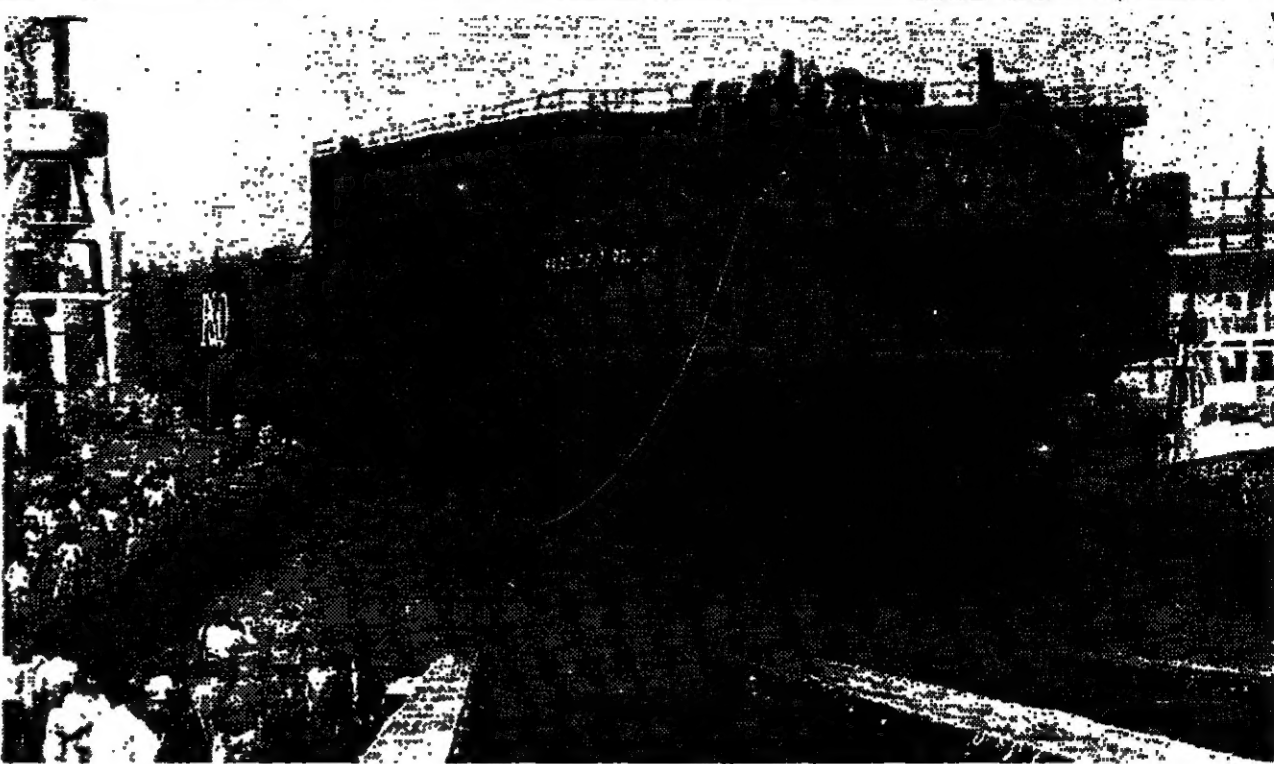
Mr Bob Scott, chairman of the bid, said: "The stadium will only be built if the games are awarded, but we hope to persuade the government to adopt a more positive view of the coming months."

P&O puts faith in new superferry

THE BATTLE for control of cross-Channel freight and passenger routes gathered pace this week as P&O European Ferries signalled its intention to challenge the Channel Tunnel by launching the latest in its new fleet of "superferries".

The weekend launch of the 28,500-tonne "Pride of Burgundy" (right) at the Schichau Seebeckwerft yard in Bremerhaven, Germany, follows a \$400m investment programme by P&O which, the company says, will "revolutionise" sea crossings between Britain and the continent.

Mr Graeme Dunlop, managing director of P&O European Ferries, said: "The extra investment this represents is a clear sign of the company's confidence in the future". The new ferry is expected to enter service next year.



MPs seek inquiry over Maxwell affair

By Alison Smith

THE Bank of England is coming under further pressure from MPs over its role in the Maxwell pensions affair.

Mr David Shaw, the Tory MP, has proposed a Commons motion calling on the Bank to carry out and publish an inquiry into the banks' lending, currency and share deal-

ing transactions with Mr Maxwell.

The Bank's attitude will also be raised with Mr Peter Lilley, the social security secretary, by Mr Richard Page and Mr Frank Field, the two MPs who are meeting him this morning on behalf of a cross-party group of MPs concerned about the plight of the Maxwell pensioners. Mr Shaw said unless

the Bank carried out an investigation and published its results, the public as well as the Maxwell pensioners themselves would feel that the whole issue had not been properly scrutinised.

He also called on the Conservative government to take action against the government and financial institutions of Liechtenstein, through some

form of economic sanctions, perhaps by refusing to allow transactions to take place with them.

MPs campaigning for the Maxwell pensioners have become increasingly frustrated that in the six months after the state of the pension funds emerged there has been little progress in finding solutions to the pensioners' difficulties.

Hordern tipped to lead Euro-group

SIR PETER Hordern, the senior Tory MP, is expected to be the favourite candidate to take over the chairmanship of the party's European affairs committee, which represents backbench opinion on EC policy, writes Alison Smith.

Elections to the Tory backbench committees are conventionally low-key, but the EC affairs committee rose to unprecedented prominence last

November when Sir Norman Fowler, now the Tory party chairman, stood and won against the former incumbent, Mr William Cash, MP for Stafford and a noted Euro-sceptic. Downing Street officially played no part in the contest, but was clearly satisfied with Sir Norman's win.

Mr Cash is said to be considering whether to stand in the forthcoming contest, which

will take place on 3 June.

The Maastricht bill will have received its second reading by the time of the elections, but the future of European union will still be in front of MPs during the summer, as the legislation is considered in detail.

Sir Peter says his main role would be to keep the party together in support of the government's Maastricht legislation.

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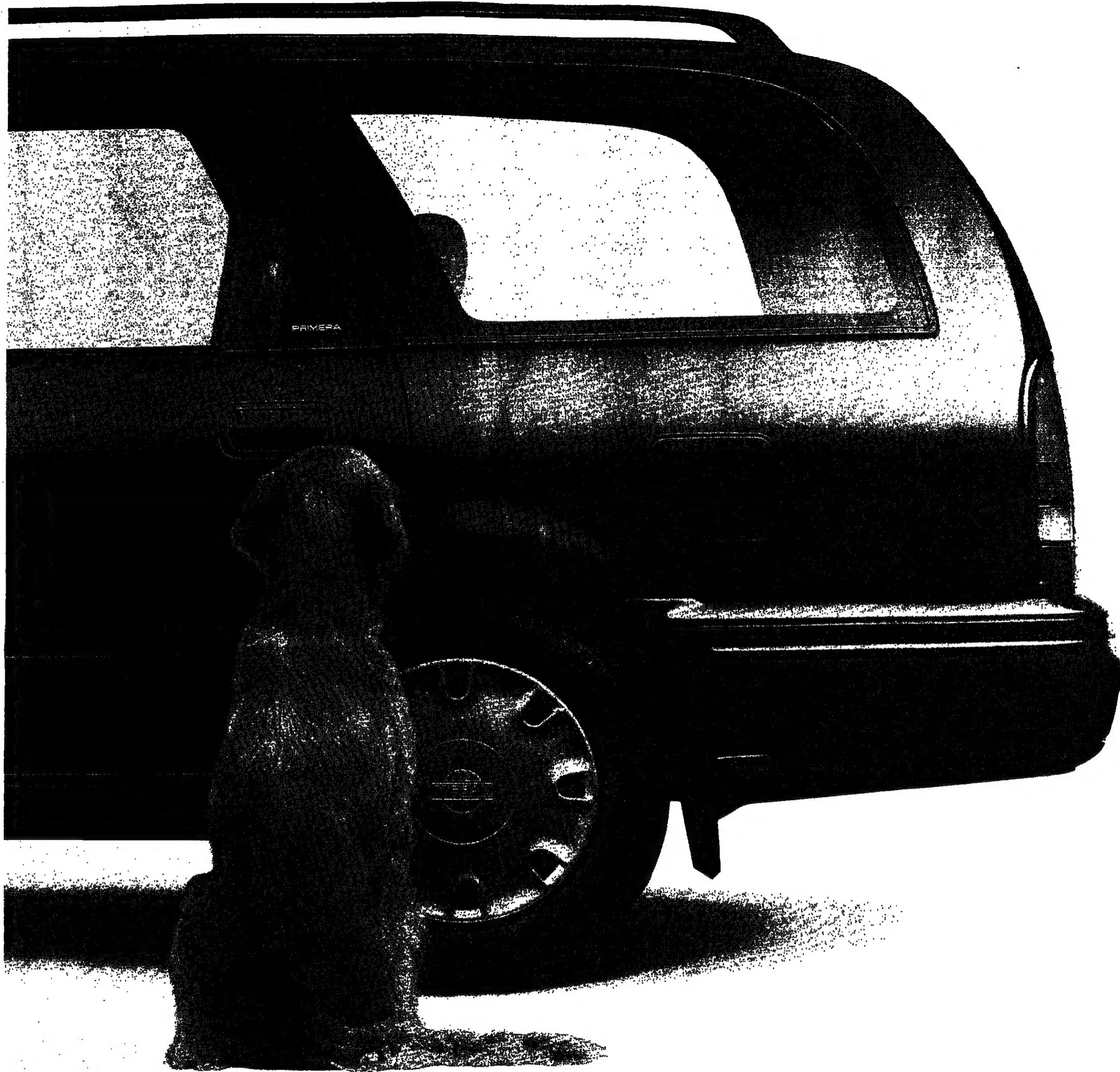
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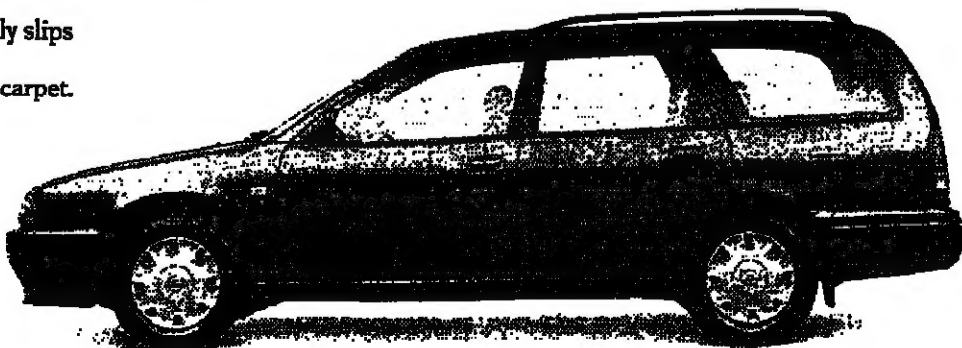
Until you open the hatch door. Watch how he easily slips through the wide tailgate. Notice him sniffing the carpet. (Don't worry, it's stain resistant).

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MANAGEMENT: THE GROWING BUSINESS



The single market leaves bosses cold

British companies are more dismissive of the likely impact of the single European market than French and Danish counterparts, according to a survey by accountants Grant Thornton.

Thirty-seven per cent of small and medium-sized businesses polled in the UK viewed the proposed market as irrelevant, compared with only 18 per cent of French businesses and 25 per cent of Danish companies.

Despite these sizeable minorities, more than half the companies in all three countries plan to develop new markets, in particular inside the European Community. Joint ventures and strategic alliances are the favoured means of expansion in preference to outright acquisitions.

European Business Survey. From Vicky Phillips, Grant Thornton, Melton Street, London NW1 2EP. Tel 071 728 2762, E35

A simple guide to printing money

Shortage of cash is the most common reason why companies fail. Often disaster could have been avoided with better forecasting, stronger working capital control, proper funding and tighter monitoring of cash.

A new booklet produced by Kall Kwik, the franchised chain of print shops, spells out the basics of cash management. "Send us with 36p stamp to Kall Kwik Printing, Kall Kwik House, 106 Pembroke Road, Ruislip, Middlesex, HA4 8NW

Talking the language of business abroad

Want to do business overseas but do not know where to begin? The British Chambers of Commerce has published its Export Services 1992-1993 Guide, containing useful addresses and advice on export counselling, translation services, overseas trade missions and exhibitions.

British Chambers of Commerce, Export and Trade Unit, 4 Westwood House, Westwood Business Park, Coventry, CV4 8NS. E8

Three years ago, Gerard Leccour and David Mackay, directors of Crabtree Hall, a London-based design company, sat down to talk about the future of their industry.

They thought that there were too many design companies in Britain and decided that they should reduce their total dependence on the UK market.

"We decided that a quick way to make an impact," explains Mackay, "would be to ally ourselves with a French design company which had complementary skills to our own". Since Leccour is French, it seemed the obvious answer.

By the beginning of 1990, having researched the market, Crabtree Hall settled for the Paris-based company Plan Creatif. A year later, a joint venture company, Crabtree Hall-Plan Creatif was launched.

"The aim," says Mackay, "is to identify areas where we can operate together, amalgamating our skills on large projects such as the design of shopping centres".

At the same time, both Crabtree Hall and Plan Creatif continue to operate as individual concerns.

Small companies look for partners in continental Europe for a whole host of reasons.

Alex Franzen, managing director of Glassfibre Flagpoles, based in Darlington in the north-east of England, wanted to sell in Europe because he considered his company had saturated the UK market.

The Slough-based marketing services group, Clarke Hooper, specialises in sales promotion work. Barry Clarke, group chairman, initially wanted European partners so that the company could refer its international clients to reputable groups in other countries.

Finding a partner in Europe can be an onerous task. Crabtree Hall eventually found its partner through published information.

Linda Shoppee, business development director, obtained a list of France's top 35 design groups from a directory published by a French media magazine.

Shoppee wrote to most of the design groups asking for more background information. Those which were affiliated to advertising agencies – and thus not independent – were quickly dropped, as were those which did not have design services complementary to Crabtree Hall's.

Shoppee then visited 10 companies from which she drew up a short-list of three for Mackay and Leccour to see.

Many British companies have been broadening their horizons in pursuit of growth. Hester Thomas reports

How to find a partner to fly the flag in Europe

Franzen found distributors and agents for his company's flagpoles by a variety of means.

He took part in two trade missions to Belgium and Italy, organised by the Department of Trade and Industry, coming away with distributors in each country.

The regional development agency, Northern Development Company (NDC), was also helpful in supplying European contacts. "I also found distributors through embassies, by looking up trade lists, even by reading local telephone directories," Franzen says.

One partner acts as the lead on a project and the other invoices it in local currency for consultancy time and expenses. Profits are shared among the partners and taxed in their hands.

With just eight employees and little time to spare for developing close relationships, Franzen decided to go for a more arms length approach with his partners.

Glassfibre Flagpoles has set up exclusive trading contracts with its distributors and agents. It is up to each distributor and agent to develop business in its country.

These various partnership agreements have provided the companies with numerous benefits.

Both Crabtree Hall and Glassfibre Flagpoles have ceased to depend wholly on the UK market for business. In 1991, Crabtree Hall gained £450,000 – almost 25 per cent of its turnover – from work in Europe.

"It's more than compensated for what we lost in the UK because of the recession," says Mackay.

Franzen expects 50 per cent of Glassfibre Flagpoles' estimated turnover of £1m to come from exports to Europe this year.

He has been particularly successful with his Spanish agency, Epok, which has negotiated sales of flagpoles worth about £600,000 for the Olympic Games and Expo 92.

Of the effectiveness of PCAI, Clarke says: "It's hard to see the results of the partnership in our balance sheet. Mostly, it's given us access to a world of promotional ideas and information – and that's what wins us business."

However, there have been direct benefits too. The partnership has cross-referred clients successfully. Recently, PCAI's French company, Groupe IPC, introduced its Orange account to Clarke Hooper's US arm, Joseph Potoczek & Associates.

The benefits of forming partnerships are not only commercial. In retrospect, Mackay realises that he and Leccour had worked together for so many years that they had started to think like an old married couple.

"By bringing in the French partners, we had to re-assess our creative stance and ideas. They continually questioned what we were doing. It's been tremendously stimulating," he says.

There is, however, a downside to finding European partners – not least in time and money. "It took us as long as we expected to find a partner and get things running," says Mackay. Crabtree Hall also spent about £12,000 on legal fees setting up the EEC.

SOURCES OF INFORMATION

■ The Single Market: Guide to Sources of Advice, available from the Department of Trade and Industry. Gives details about European Information Centres (EICs) and the Business Co-operation Network (BC-Net) which help smaller companies to identify partners in other Community countries.

■ Your local chamber of commerce can also put you in touch with the local EIC or BC-Net.

■ Your clearing bank may be able to help: many have computer services to help match up companies from different countries.

For Clarke Hooper, finding European partners was relatively easy. Before setting up his company, Clarke had worked as European vice-president of an advertising agency and had made contacts in the sales promotion industry.

He started by contacting old colleagues, initially in Gruber Tite und Blank in Germany and Group IPC in France, to see if they would like to set up an informal network.

The three British companies have set up very different types of partnership. Under guidance from its lawyers, Crabtree Hall/Plan Creatif opted for a new legal formula – a European Economic Interest Grouping (EEIG).

Created by the European Commission, it allows companies from more than one country to set up to establish a joint business venture.

Under the Crabtree Hall-Plan Creatif agreement, each partner contributes equally to an annual marketing budget of about £125,000.

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Highly Profitable Business. A business opportunity is seeking for a highly profitable business unit with an international reputation.

Generating sales in excess of £3 million over the last 12 months. Very high margins. There is an existing order book, good prospects and new product development opportunities.

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process now proven needs second stage finance to take it into serious production. Huge potential 50% interest available for £50,000 but possible larger holding for the right party.

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Offshore Company Formation and Administration. Also Libras, Patents & BVI etc. Total offshore facilities and services.

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Company UK based, in the process of expanding sales agents worldwide to establish joint ventures in the far east and forward business.

For further information contact: Mr A. H. Jones, Tel: 0451 444 7610 or Fax: 0451 444 7610

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Details Box H6874, Financial Times, One Southwark Bridge, London SE1 9HL

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We help with - Acquisition of manufacturing companies - Obtaining grants and subsidised loans - We locate suitable objects, liaise, prepare offers and secure prices that can never be repeated in future.

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We act for a substantial private company in the medium to heavy engineering sector. The company is seeking to diversify into new products in heavy machinery such as paper printing, packaging, converting machinery, rubber and plastics machinery, wire and cable handling machinery and special design machinery.

Minimum current sales per annum £1 million.

If you have such a product line for sale, please write with details to Eric Healey, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Substantial Group of Companies

with property assets in both Gibraltar and Spain requires shell p.l.c. with property orientated portfolio, quoted on London Stock Exchange.

Please reply in confidence to:
Box No. H6860, Financial Times, One Southwark Bridge, London SE1 9HL.

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Likely to be any of the following:

- Non-core disposals, turnarounds, under-capitalised, highly geared.
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- Venture capital/BES/minority stake disposals.
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- Quoted shells.

Contact: Peter Taylor, Taylors, Solicitors, Norwich House, Poplar Road, Solihull, West Midlands, B91 3AW. Tel: 021-704 1212. Fax: 021-704 1292.

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We are looking to acquire manufacturing, retail or distribution companies offering products in the above category.

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SEES ENGINEERING CO'S

International Environmental Services Group seeks to invest in or acquire under-capitalised engineering companies and process contractors with potential.

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BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

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Have you got the necessary research skills and knowledge of European business and its languages to act as the bridge for this exciting event which will bring European buyers together with leading companies?

We are looking for a Consultant who can find 300 businesses in Lisbon capable of trading in Europe and match their products/services with potential European buyers for a trading event in 1993.

For information and the brief, contact: Peter Atkinson, Economic Development Unit, 17 Tillingham Park Street, London N1 1QJ. Tel: 071 477 2553

Touche
RossStructural Engineers
& Dismantlers

(In Administrative Receivership)

The valuable site, offices, goodwill and know-how are offered for sale. The Group is engaged in specialist dismantling, structural engineering, erection and cladding.

Main features are:

- Valuable industrial site within 1 kilometre of the M1 at Tinsley, Sheffield. Ideally located for national and international freight and near to projected site for South Yorkshire airport - approximately 3.3 acre site - freehold.
- Large yard area with 7% ton overhead crane weigh-bridge & office. Dual access, and on-site fuel facilities. Licensed for waste and scrap.
- Engineering workshops and storage approximately 10,000 sq. ft.
- Excellent 3 storey office accommodation with basement storage 3,000 sq. ft.
- Plant & equipment.
- Good customer base.
- Would suit European investors.

For further details contact Lindsay Denney the Joint Administrative Receiver or Tony Robinson at the address below.

1 Woodborough Road, Nottingham NG1 3FG.
Tel: 0602 500511. Fax: 0602 590979.

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DBT International

BUSINESSES FOR SALE

Hotels for Sale

We are currently acting as Receivers of a wide range of businesses in the hotel and catering sector which are continuing to operate and are available for sale as going concerns.

The properties include the following:

- ◆ 3/4 star city centre with over 100 bedrooms
- ◆ Central London freeholds with 15 bedrooms upwards
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- ◆ Small city and rural establishments some no longer open and/or needing refurbishment
- ◆ Bed and breakfast/homeless persons' units
- ◆ Licensed public houses

If you would like to have a list of the properties currently available it can be obtained immediately by telephoning the Property Registration Services fax back listing service on 0272 767851 quoting reference 5888.

Alternatively please write to Stoy Hayward quoting reference 77/DOS.

STOY HAYWARD

Accountants and Business Advisers A member of Horwath International
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business
8 Baker Street, London W1M 1DA. Tel: 071-486 5888. Fax: 071-487 3686.

43 Roomed Hotel for Sale

Paddington Lancaster Gate

Due to Retirement

12 Double, 12 Twin, 2 single,

All rooms, 17 Single, 14 ensuite.

Lift, DG, OCE, Wall mounted

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With well established trade.

Asking price £2.2 Million

Details, write: Box H6860, Financial Times.

One Southwark Bridge, London SE1 9HL.

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(In Receivership)

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- Annual turnover £3m
- Skilled work force
- Substantial order book
- Prestigious customers
- Over a third turnover - exports

The company occupies leasehold factory premises adjacent to the Oxford ring-road.

For further information please contact the Joint Administrative Receiver: Edwin Antill, Grant Thornton, 1 Westminster Way, Oxford OX2 0PZ. Tel: 0865 244977 Fax: 0865 724420

Grant Thornton

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Hotels in Salou
Tarragona-Spain

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For information please contact Ms. Janis Whittle at: Tel: 34/3/405 20 10 - Fax 34/3/439 40 88

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Tel: 071-486 4231
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BRISTOL, AVON. Unicorn Hotel. LEASEHOLD Offers in excess of £70m.

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3. NANTWICH, CHESHIRE. Alton Hall Hotel. FREEHOLD Offers in excess of £4m.

4. BOSTLEY HAMPSHIRE. Boley Park Hotel/Club. FREEHOLD Offers in excess of £10m.

5. CLAYTON LE MOORS, LANCASHIRE. Dunsborough Hall. FREEHOLD Offers in excess of £5.5m.

6. EGGERTON, LANCASHIRE. Egerton House Hotel. FREEHOLD Offers in excess of £1.5m.

7. ROLTON, LANCASHIRE. East Drop Village. FREEHOLD Offers in excess of £6.5m.

8. ROCHDALE, LANCASHIRE. Victoria Grand Hotel. FREEHOLD Offers in excess of £2.2m.

9. PRESTON, LANCASHIRE. Takeda Trust Hotel. FREEHOLD Offers in excess of £3.5m.

10. REEFORD, NOTTINGHAMSHIRE. West Ryland Hotel. FREEHOLD Offers in excess of £2m.

11. TAMWORTH, STAFFORDSHIRE. The Castle Hotel. FREEHOLD Offers in excess of £250,000.

12. SHREWSBURY, SHROPSHIRE. Abington Hall Hotel. FREEHOLD Offers in excess of £10m.

13. TILFORD, SHROPSHIRE. Park House Hotel. FREEHOLD Offers in excess of £10m.

14. RUGBY, WARWICKSHIRE. Beaumont Hall Hotel. FREEHOLD Offers in excess of £1.5m.

15. CARDIFF, SOUTH WALES. Crow Bay Hotel. FREEHOLD Offers in excess of £1.5m.

16. SARUM, SCOTLAND. Golf View Hotel. FREEHOLD Offers in excess of £150,000.

17. DUNDEE, SCOTLAND. Royal Golf Hotel. FREEHOLD Offers in excess of £700,000.

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Business and Assets
for sale as a going concern

- Bennett Swiftline Limited specialising in turnkey mechanical handling services for motor manufacturers and food processing companies.
- Old established business operating from purpose built freehold premises of 11,500 sq. ft. in the West Midlands.
- Turnover £2.6M with Blue Chip customer base.
- Highly skilled workforce of 35.
- Order book £400,000 plus on-going maintenance contracts.

For further information please contact the Joint Administrative Receiver: Andrew Merzies or Ken Jones

ROBSON RHODES

Centre City Tower, 7 Hill Street, Birmingham B5 4UU

Telephone: 021-643 1936. Fax: 021-643 4993

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COMPUTER DEALERSHIP
FOR SALE

Long established leading Computer Dealership situated in prominent City location in North West England. Close proximity to Business Houses & Colleges with easy access. Well appointed and recently modernised leasehold premises including Showroom & fully equipped Training facilities. Full range of products with Technical support. Could be of interest to National Multiple Company seeking to establish further coverage of the operations. For full particulars please write to: Box No. H6851, Financial Times, One Southwark Bridge, London SE1 9HL.

PRITT STEEL
STOCKHOLDERS LIMITED

(In Administrative Receivership)

The Joint Administrative Receiver offers for sale the business and assets of this long established company whose principal activities are the processing and distribution of steel products.

- Based in two acres of rented premises in West Ferry Road, Docklands, close to the London Dock.
- Turnover in the year ended 31 December 1991 was £4.3 million.
- Large customer list
- 10 employees
- Plant and equipment includes:

For further details please contact:
P.R. Sykes or P.W.G. Dullemeier,
BDO Binder Hamlyn,
20 Old Bailey,
London, EC4M 7EL.
Tel: 071-489 9889 Fax: 071-489 6355

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Thriving Day Nursery

in city centre position
in East Midlands.
£170,000 O.N.O.
Tel: 0733 266194
for further details

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Business for sale as a going concern.
8 Freehold houses. Income £350k.
Net Profit £200k. Long term Local Authority letting only. Location M3 Junction 4. Write to Box No. H6855, Financial Times One Southwark Bridge, London SE1 9HL.

**Touche
Ross**

Agate Group Limited (In Administrative Receivership)

Lindsay Kennedy Denney and John Wilson, Joint Administrative Receivers, offer for sale the assets and undertaking of the above company.

- Based near Alfreton in the East Midlands.
- Access to motorway network.
- Leased 41 Head Office premises comprises:
 - Office accommodation - approx. 6,500 sq. ft.
 - Joiners shop - approx. 5,000 sq. ft.
 - Plant workshop - approx. 2,000 sq. ft.
 - Whole site approximately 1.4 acres.
- 18.2 acres Freehold Industrial Development land on 2 sites in East Midlands plus one Industrial Unit - 4,166 sq. ft.
- Four current contracts.
- Prestigious customer base.
- Last recorded turnover £9.5m.

For further particulars please contact Lindsay Denney, the Joint Administrative Receiver, or Dian Wardle at the address below.

1 Woodborough Road, Nottingham NG1 3FG.
Tel: 0602 500511. Fax: 0602 590979.

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DRI International

East Sussex

St Leonards-on-Sea, Hastings 1/2 mile

An impressive convalescent home in attractive grounds close to the town centre and sea front. 7 reception rooms, 21 bedrooms. Secondary house linked to the main building and providing together approximately 30,000 sq. ft. 3 further houses.

Potential for various alternative uses subject to planning permission. About 1.8 acres. For sale as a whole or in 3 lots.



071 629 8171

Knight Frank
& Rutley

20 Hanover Square
London W1R 0AH

PLUMBERS' MERCHANT

Barbican Heating and Plumbing Supplies Limited

The Joint Administrative Receiver, offer for sale the business and assets of this well established plumbers' merchant based in Bournemouth, Dorset.

Principal features of the business include:

- turnover approximately £2 million per annum
- modern purpose-built retail unit on sought-after industrial estate
- wide customer base
- business established in 1978
- 25% of sales to retail market
- fleet of vehicles with distinctive livery

For further information please contact Alistair Grove or Andrew Beckingham, or Cork Gully, Midland House, North Street, Plymouth PL1 2EJ. Telephone: 0782 668888. Fax: 0782 604108.

Cork Gully is authorised in the name of Cusper & Lybrand Deputies by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Cork Gully

Tempest Diesels Limited (In Administrative Receivership)

The Joint Administrative Receivers of Tempest Diesels Limited offer for sale as a going concern its business and assets. The company is a long established power application engineer with marine, industrial and military customers.

- Operates from leasehold premises in Stamford, Lincolnshire
- Turnover of some £2 million in the year ended 31 December 1991
- Over 80% of sales are to overseas customers
- Capability to undertake significant contracts

For further information please contact Chris Hill, Ernst & Young, Compass House, 80 Newmarket Road, Cambridge CB5 8DZ. Telephone: 0223 441200. Fax: 0223 324609.

ERNST & YOUNG

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FRANCE

UNIQUE MARKET OPPORTUNITY FOR SALE: OFFICE MACHINERY DISTRIBUTION BUSINESS. 85MF sales plus 4,300 on-going service contracts. Experienced sales and service teams covering France. This can provide a market opportunity for many other products/services - an invaluable asset to someone launching into the French market. For further information contact: JULIAN L. KEMP, MANAGEMENT CONSULTANT 17 Heath Drive, London NW3 7SL. TEL: 071-435 4006 FAX: 081-209 1231

WATERSIDE PROPERTIES

Sales agents for MARINAS, BOAT YARDS, CHANDLERS AND OTHER MARINE RELATED BUSINESSES throughout the United Kingdom. 16 coastal and inland business opportunities including an island freehold marina with 185 berths and a 2 bedroom bungalow, a yachtman's pub on the Hamble, a Thames boat yard, an underwater training centre, a Solvent chandlery with residential accommodation, 5 acres on the Helford river with superb boat yard possibilities and a trout farm in Wiltshire. Ring 081 542 9539 for a copy of our Commercial Property List.

BUSINESSES FOR SALE

Dual (Midlands) Limited

The Joint Administrative Receivers offer for sale the business and assets of Dual (Midlands) Limited.

The business, based in Small Heath, Birmingham, has been established for many years and specialises in the design, supply and fabrication of aluminium and alloy for the construction industry.

Principal features include:

- Modern cutting and bending machines and ancillary equipment.
- Attractive long leasehold property situated in a new business park.
- Turnover of approximately £1 million.
- Goodwill and know-how.

For further information contact the Joint Administrative Receiver, Ann Davies, KPMG Peat Marwick, 2 Cornhill Street, Birmingham B3 2DL. Tel: 021 233 1666. Fax: 021 233 4390.

KPMG Corporate Recovery

Bellwood Park Plc

The Joint Administrative Receivers offer for sale the business and assets of Bellwood Park Plc, a new manufacturing company producing disposable babies' bibs.

Principal features include:

- Attractive, modern, leasehold premises situated close to Scunthorpe town centre.
- Fully automated plant which could be relocated.
- Blue chip customer base.

For further information contact the Joint Administrative Receiver, Tony Richmond, KPMG Peat Marwick, 1 The Embankment, Neville Street, Leeds LS1 4DW. Tel: 0532 313000. Fax: 0532 313183.

KPMG Corporate Recovery

Food Business EEC Approved Cooked Meat Complex

An opportunity to acquire the business and assets of an established cooked meat producer.

- 90,000 square feet covered cooked meat factory completely refurbished to EEC standards.
- Located in central England close to the M1.
- Estimated capacity in excess of 15,000 tonnes of cooked meats per annum.
- EEC approved EWP.
- Equipped with high quality plant and equipment.
- Approximately 100 employees including an expert production management team.

All enquiries to: Mark Senior, Price Waterhouse, Corporate Finance, York House, York Street, Manchester M2 4WS. Fax: 061 236 1468

Price Waterhouse
Corporate Finance

Gilchrist Studios Limited (In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of Gilchrist Studios Limited.

- Operator of a pre-press photographic business
- Leasehold premises situated at 6/10 Kirby Street, London EC1
- Established in 1930's
- Unaudited turnover for 12 months ended March 1992 of £2,300,000

All enquiries to Joint Administrative Receivers of Gilchrist Studios Limited, Ernst & Young, Beckett House, 1 Lambeth Palace Road, London SE1 7EU. Tel: 071-931 3126 or 931 3821. Fax: 071-928 0435.

ERNST & YOUNG

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STRUTT & PARKER

HAMPSHIRE - WELLOW VINEYARDS, ROMSEY

Winchester 16 miles. M27 (J2) 4 miles.

One of the Country's Largest Vineyards

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A small well established and profitable company in the United Arab Emirates is being offered for sale which provides the purchaser with a unique base of operations for trading in the Middle Eastern and Iranian markets in a tax free environment.

For further details please contact:

The Senior Partner, Clyde & Co.,
P O Box 7001, Dubai, United Arab Emirates
Tel: (9714) 211622 Fax: (9714) 211944

MAJOR 500 ACRE SPORTING/LEISURE ESTATE

THE CURRAGH, KILDARE, IRISH REPUBLIC

Outstanding Potential Golf, Hunt, Shooting, Fishing. Development potential for the property. Only 40 mins drive from Dublin Airport. 30 mins from London.

Equivalent British Estate making 6 to 10 million. Big tax and v.a.t. advantages.

Magnificent new 6,000 sq. ft. home. Top of range imported and custom built furnishings. Chandeliers etc.

Planning permission granted for 22,000 sq. ft. luxury home or Corporate Centre. Japanese Sundeck. School only 10 mins away. New Motorway from Dublin now opening.

Near Golf, Puntchnestown, Hunting, Gamekeeping opportunity.

Owner emigrating. Seeking 3 million sterling region for quick sale.

Scarcely buyers only. Will collect from Dublin Airport for viewing.

Over 200 Acres new plot and selling.

New top American house. Top grade 1 land. Unutilised potential.

Small luxury Estate or Golf course. Small 140 Acres Estate sold to Japanese Group recently for 10 million.

Early decision makers. Only one of its kind. Major potential for Pension Funds Leisure Estate.

Will also sell 2 million Sterling Bloodstock if required.

Buyers option. 3 million Estate or 5 million total package.

Contact Paddy Jordan of C.B.A. Estates
Ph: 010/353/45/1402

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ANSIE GRANGE HOTEL

EDINBURGH

Detached Victorian house, residential area near city centre. 14 bedrooms (13 en.s.), dining room (150), lounge bar, Cottage & large garden. Net TPO £280,000.

PRICE £280,000

KIRKBOURNTREE HOTEL

Levitts 4 star country house hotel in 8 acres near A75 Strathmore, 24 on mile bedrooms, elegant public rooms. Over £100,000 profits on net TPO £285,504.

OFFERS INVITED

LOCHALSH HOTEL

Kyle of Lochalsh ROSS-SHIRE

Overlooking the Kyle to Skye, 40 bedrooms (38 en.s.), cocktail bar, dining room (90), meeting room, local bar. Flat roof black & orange. Net TPO £587,738.

OFFERS INVITED

TEL: 031-225 2944

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Small 14-acre company with expanding home and export sales needs larger premises to realise full potential.

Wide range of products for performance road and motorsport use. Just South of London, Management willing to stay.

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Turnover £1m. GP 31%.

Established trade brand name.

Net assets £185,000.

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Highly profitable - TPO £1m+

Modern freehold factory

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Established customer base/workforce

Offers around £350,000 - 30

liabilities. Details from

S.D. Ellison & Co (Scotland) Ltd,

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031-557 3004

REPRODUCTION

CABINET FURNITURE

Opportunity to purchase, as a going concern, an established reproduction cabinet Polishing Company in the Leeds area. The company supplies up and retailers Turnover circa 1 million. Current orders over £120,000. This business is available at a fraction of its true worth due to the repossessing of its parent company.

Write to Box H6856, Financial Times, One Southwark Bridge, London SE1 9HL.

The Westcliff Hotel

Westcliff-on-Sea, Essex

The Joint LPA Receivers CJW Hill and WJ Kelly offer for sale on a going concern basis the business and assets of the Westcliff Hotel, the only 3 star commercial hotel and function venue in the area. Key features include:

- 49 en suite bedrooms
- 2 function suites, 2 bars and 60 cover restaurant
- 5 staff bedrooms and management offices
- Prominent position facing estuary

Offers are invited for the freehold.

For further details contact John Sheppard of the Receivers' agents, Robert Barry & Co.

7 Upper Grosvenor Street, Mayfair, London, W1X 9PA. Tel: 071-491 3026. Fax: 071-629 9373.

ERNST & YOUNG

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Prime Retail Site Falkirk Motor Market Limited (In Receivership)

This long established motor dealer situated in Central Scotland is offered for sale.

- Excellent prime retail site circa 13,000 sq. ft.
- Heritable Property
- Annual Turnover approximately £2M.
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For further details please contact the Joint Receivers: Jonathan Birch or Donald McGruther, Grant Thornton, 1-4 Atholl Crescent, Edinburgh EH3 8LQ.

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AUCTIONS

COURT OF CAGLIARI (SARDINIA/ITALY) NOTICE OF AUCTION

Execution No. 45/88 versus EDISAC Immobiliare Srl. On 25th June, 1992, at 11.30 am the auction sale of the building described herewith will take place.

Torvici complex in Villasimius, Capo Rei, consisting of 40 accommodations with various appointments, registered at the Land Registry Office under F 19 maps 33, 35, 10, 32/5, 69/5, 69/L, 69/L6.

Base price: Lit. 6,500,000,000

Minimum progressive bid: Lit. 100,000,000

Deposit and fees: 30% of base price to the Court's office by 22nd June, 1992, at 1.00 pm.

Residual amount to be paid within 30 days from adjudication in compliance with the Consolidation Act regulations on mortgage credit.

Director's Court E. MENEGUZZI

COURT OF CAGLIARI (SARDINIA/ITALY) NOTICE OF AUCTION

Execution No. 71/89 versus SUZIO SARDA Spa with main office in Cagliari.

On 25th June, 1992, at 11.30 a.m. the auction sale of the building described herewith will take place.

Hotel complex named Hotel Capo Rei, registered at the Land Registry Office under F 19 maps 31/A, 32/A, 34, 50, 51, 69/A, 69/L2 and 101 subject to mortgage charges.

Base price: Lit. 28,000,000,000

Minimum progressive bid: Lit. 4,000,000,000

Deposit and fees: 30% of base price to the Court's office by 22nd June, 1992, at 1.00 pm.

Residual amount to be paid within 30 days from adjudication in compliance with the Consolidation Act regulations on mortgage credit.

DIRECTOR'S COURT E. MENEGUZZI

THE WEEK IN LUXEMBOURG

Greek car taxes are ruled to be illegal



EUROPEAN COURT

Greek rules for the calculation of a consumption tax on cars, which vary depending on whether the cars are imported or domestically produced, are in breach of EC Treaty rules against discriminatory internal taxes, the European Court of Justice ruled last week.

The Treaty rules prohibit member states from imposing internal taxation on products imported from other Community countries in excess of the tax imposed on similar domestic products.

Greece first introduced legislation for a consumption tax on cars in 1976. The legislation, which was added to in 1979 and 1986, calculated the base price on which imported cars were taxed by taking the wholesale price of the car in its country of production, together with the price of optional extras. These prices were increased by 21 per cent for cars purchased directly from the foreign car producer and by 33.2 per cent for cars purchased from a foreign distributor.

These prices were further increased by 7 per cent to take insurance and import costs into account. By contrast, cars made in Greece were taxed simply on the base of their ex-manufacturer price.

The Greek government argued that, in Greece, the car industry was not very developed and that car producers there were used to selling their products directly to the consumer without using distributors or agents. Because of this, the producer's "wholesale" prices included marketing costs which were normally included at the retail sales level.

In order to create a level

playing field between domestic and imported cars, it was necessary to increase the base price on which the tax would be paid to take account of the marketing costs which would be incurred by the importer.

The Greek government also explained that the system was aimed at limiting the possibilities for the deliberate and fraudulent under-valuation of imported cars.

The ECJ reiterated its earlier jurisprudence, stating that the Treaty provisions were breached if there was any disparity in the method by which the tax was calculated for imported and domestic products, even if this only led to a higher tax being imposed on the imported product in a minority of cases.

To be compatible with the Rome Treaty, the measures in question had to exclude all risk of discrimination. The burden of showing that the legislation had no discriminatory effect lay on the Greek government.

The Rome Treaty's ban on discriminatory internal taxation has been applied by the Court to car tax systems in several member states and many other economic areas. Companies doing business in other Community countries should always check that they were not victims of similar discrimination under national indirect taxation regimes.

Commission of the European Communities v Greece, Case C-271/90, ECJ, 12 May 1992.

Opinions and Oral Hearings

The Court did not hand down any other judgments despite a busy week. Nine opinions from the Court's six Advocates-General were delivered and the Court held 10 oral hearings.

One important opinion delivered last week concerned the equal treatment of men and

women in the UK in national insurance contributions. The Advocate-General considered that the fact that men in the UK have to pay national insurance contributions for longer than women was not contrary to EC law.

Given the anxiety in the pension industry following recent judgments from the ECJ, notably the Barber case, the judgment in the present case will be eagerly awaited.

Case C-91/91 The Queen ex parte The Equal Opportunities Commission v Secretary of State for Social Security, 12 May 1992.

(The role of an Advocate-General of the ECJ is best described by stating what it is not. The Advocate-General is neither a first instance judge nor an *amicus curiae* and the opinion delivered by the Advocate-General is not a preliminary ruling.)

The Rome Treaty provides that the duty of the Advocate-General is to act with complete impartiality and independence in making reasoned submissions in open court, in order to assist the Court in reaching its judgments.

The Advocates-General, who enjoy equal status to the judges of the Court, are not bound by the collegiate approach of the Court. Their opinions can be wide-ranging and generally contain a summary of the facts of the particular case, the relevant law, the parties' submissions and an opinion on the legal issues raised.

Before he delivers his opinion, the Advocate-General will have listened to, and may have questioned the parties at the oral hearing. The opinion is not binding on the Court, but is frequently followed.)

The Court recently held an oral hearing which may require it to decide a dispute between the UK government and the government of Gibraltar as to whether Gibraltar has power to bring proceedings in the ECJ.

The case is concerned with whether Gibraltar is excluded from the 1986 Council Directive on inter-regional air services.

The hearing concerned the admissibility of Gibraltar's application. The case has important implications for the UK and Spanish governments.

Case C-293/88 Government of Gibraltar v Council of the European Communities, 6 May 1992.

BRICK COURT CHAMBERS, BRUSSELS

FT Law Reports
Following the introduction of the European Court column, FT law reports now appear on Wednesdays, Thursdays and Fridays. Next week, the European Court column will appear on Wednesday May 27 because of the UK bank holiday.

SOUTH AFRICA 1992

The FT proposes to publish this survey on

June 6 1992.

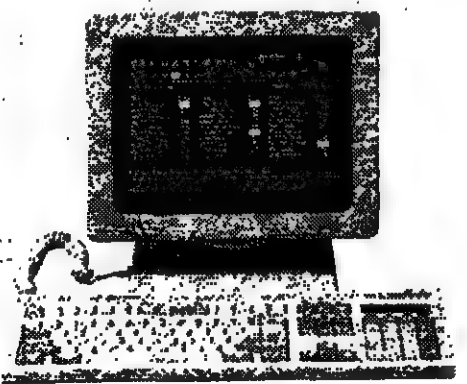
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PEOPLE

Stock Exchange loses Hogarth

Peter Hogarth, managing director of the trading markets division of the London Stock Exchange, is resigning at the end of the month, thus furnishing further evidence of disarray at the top of the exchange.

Peter Rawlins, chief executive, hired Hogarth, then chief executive of Société Générale Strass Turnbull, last March. Hogarth had previously spent 21 years with accountants Peat Marwick.

The exchange maintains that 41-year-old Hogarth is

departing not much earlier than planned, having completed his remit in the areas of broad markets strategy, and information and technical services. In truth, the exchange's customers have certainly yet to see the fruits of much of this work.

And just last month Rawlins, an ex-Arthur Andersen man, contracted out the information technology operations to Andersen Consulting for the next five years, effectively sidelining Hogarth. Meanwhile, staff turnover at the

exchange has been high, including in Hogarth's division.

Hogarth is not being replaced directly - completing the collapse of the management structure set up by Rawlins whereby the exchange was carved up into three separate businesses, each with its own managing director and board. Christine Dann, who has been running the primary markets division since the beginning of last year, also assumes responsibility for information services.

Approval for Nikko's Gemm

As the body responsible for organising the government's bond market borrowings, the Bank of England still sees the gilts market as sacred territory. It will go to considerable lengths to ensure an orderly market, including keeping an eye on the staffing of gilt-edged market-makers, or GEMMs.

Yesterday, Nikko Securities, the fourth largest Japanese securities house, completed a delicate approval process to become the 20th GEMM. Nikko is not the first Japanese firm to stake out a pitch. Nomura and Daiwa joined in 1988.

The firm appears to have taken a very Japanese, consensual attitude in assembling a team of gilts traders - no team hirings or high-profile poaching from other market makers. "We didn't want to put any noses out of joint," says Philip Busfield, head of sales and trading.

Busfield himself joined from

Credit Suisse First Boston, the US investment bank; Peter Gibbons, senior trader, joins from Bankers Trust; other staff come from Goldman Sachs, Midland Montagu, Kleinwort Benson, Credit Lyonnais and Seccombe Marshall.

However, seasoned gilts market participants have a different explanation for the diversity of Nikko's recruitment: the Old Lady still regards team poaching as ungentlemanly conduct, and can make the approval process as arduous as it chooses.

Meanwhile, seasoned gilts market participants have a different explanation for the diversity of Nikko's recruitment: the Old Lady still regards team poaching as ungentlemanly conduct, and can make the approval process as arduous as it chooses.

Non-executive directors

THORN EMI, the music and electrical rentals group, has appointed Harald Einsmann, president of Procter & Gamble in Europe, the Middle East and Africa, as a non-executive director.

Einsmann, a German national, is the first member of the board from the continent. Thorn has substantial operations in continental Europe and felt it would be helpful to have someone on the board with extensive marketing and management experience there. The group already has one Canadian and one US member on its board.

Einsmann, 58, joined Procter & Gamble in 1981 and became group vice president for Europe in 1984. He is responsible for P&G's operations in 25 countries including the UK and is based in Brussels.

Dame Anne Mueller, who retired as second permanent secretary at the Treasury in 1990, at SEDGWICK LLOYD'S UNDERWRITING AGENTS.

David Galway at ALEXANDERS HOLDINGS.
Kenneth Bridgman has retired from RENTOKIL.
Alastair McCordale has retired from GUARDIAN ROYAL EXCHANGE.
Taro Kato, previously senior manager (project co-ordination) at The Nippon Credit Bank, at SINCLAIR GOLDSMITH HOLDINGS.
Brian Bellhouse, head of Oxford University's medical engineering unit, has resigned from HAEMOCCELL.
Ewart Boddington and Christopher Engster have retired from The BODDINGTON Group.
Sir Jeremy Black (right), who retired as commander-in-chief Naval Home Command last year, and is chairman of the Whitbread Round the World Race Committee, as chairman of REMY & ASSOCIATES (UK).
David Trippier MP (below left) at ST MODWEN PROPERTIES.



Sharing in a 'significant movement' for the private investor



David Senior and Pam Mapes are the latest recruits to ProShare and the cause of "trumping the private investor".

Senior, who is 33, arrives from ICL, where he had been group marketing and advertising manager involved among other things in the World Class campaign. He says he left ICL, where he had been since university, because he found "an exciting opportunity to be in at the inception of what I hope will be quite a significant movement".

ProShare, launched in February as an outgrowth of the

Wider Share Ownership Council, is out to promote "wider and deeper share ownership" with the help of the likes of chairman Sir Peter Thompson - famed for making the lorry drivers rich in the NFC buyout - president Sir John Harvey Jones, and ex-Tootal boss Geoffrey Maddrell as chief executive.

Senior comes in as director of company services where a big part of his job will be to promote better employee share ownership schemes at a wider cross-section of companies. He will also be encouraging UK

firms to service the private investor more effectively - using simpler language - at a reasonable cost.

Meanwhile Pam Mapes, 39, becomes director of education at the group which Maddrell has called "a sort of Automobile Association for the private investor". She will be spreading the message to teachers, college lecturers, adult education course directors and the like. She was until 1990 head of marketing communications at the stock exchange, marketing information products such as Topic and Seq.



MADRID FAIRS AND EXHIBITIONS



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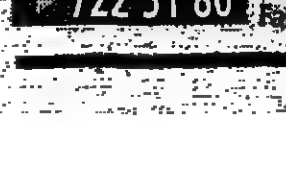
LIBER'92: International Book Fair.



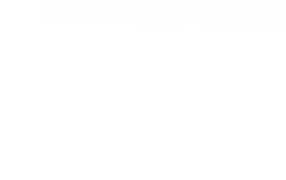
TEM: International Municipal Services and Equipment Exhibition.



TRAFIC: International Road Safety Exhibition.

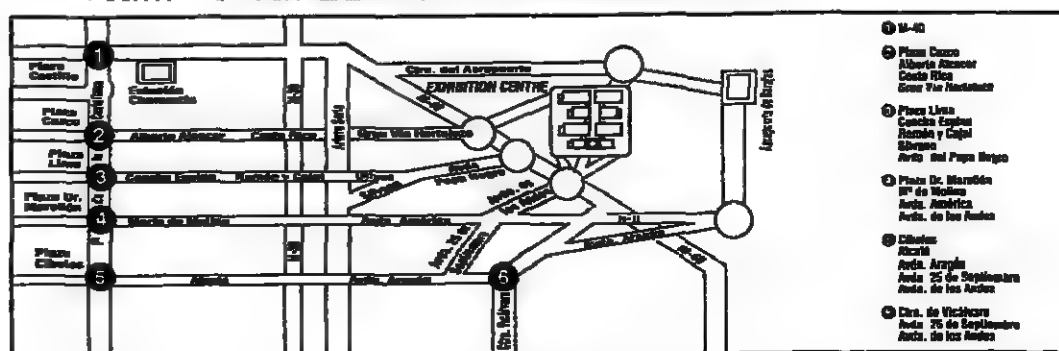


FERIA NACIONAL: National Broncanteurs Fair.



LIBER'92: International Book Fair.

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Leading gastro-enterologists gathered in San Francisco last week to discuss the significance of a single bacterium. The outcome of that debate will shape the drugs industry's most valuable market - for peptic ulcer medication - worth more than \$7bn (£3.9bn) a year.

The bacterium in question is *helicobacter pylori* (HP). Some specialists believe the bacterium plays a vital role in the recurrence of stomach and duodenal ulcers - nearly 80 per cent of patients whose ulcers are healed subsequently have a relapse. The specialists argue that by eradicating the bacterium in the stomach the risk of a recurrence is also eliminated.

The impact of a successful HP cure on the ulcer drugs market could be striking. Nearly half the prescriptions for the leading class of ulcer drugs - known as H2-antagonists - are for maintenance therapy to prevent relapses. Sales of the two leading H2-antagonists, Glaxo's Zantac and SmithKline Beecham's Tagamet, totalled more than \$4bn last year.

"If an acceptable method of eradicating HP can be found, it will profoundly change the long-term management of peptic ulcer disease," argues Anders Vedin, president of Astra Hälsjö, the gastro-intestinal research division of Astra, the Swedish pharmaceutical group that sells an alternative therapy.

"If an acceptable method of eradicating HP can be found, it will profoundly change the long-term management of peptic ulcer disease"

"By eradicating HP, you would eliminate the maintenance market for the H2-antagonists, leading to significant savings in healthcare costs," he maintains. It would also give relief to the 15 per cent of the population affected by peptic ulcers at some time in their lives.

Peptic ulcers are caused when there is an imbalance between the aggressive qualities of the stomach acid used to break down food and the defensive mechanism of the stomach lining. The hydrochloric acid starts digesting the meat of the stomach lining - a painful and potentially dangerous condition.

The reasons for that imbalance are unknown. Diet, alcohol consumption and smoking may have some effect. Stress may be a factor too. Doctors know that between 10 and 20 per cent of patients taking non-steroidal anti-inflammatory drugs to treat arthritis develop ulcers within a month.

The pharmaceutical industry is making startling advances in drug discovery. Paul Abrahams begins a series by looking at progress in ulcer treatment

Gambling on a gut reaction

However, specialists are increasingly focusing their attention on HP, which is found in about 90 per cent of patients with duodenal ulcers and between 70 and 80 per cent of those with peptic ulcers.

The problem is establishing a causal link between HP and ulcers, says John Wood, director of medical affairs for group research at Glaxo, the UK pharmaceutical company that markets the world's best-selling drug, the H2-antagonist Zantac. A large proportion of the population is infected by the bacterium, but fails to develop ulcers. He believes HP is one factor among many.

Presently there are three main methods of dealing with peptic ulcers. Historically, the most widespread treatment was anti-acid, such as milk of magnesia, which counteracted the acidity in the stomach. In the event of severe complications, patients required surgery, an expensive and potentially dangerous procedure.

During the early 1980s, such traditional methods were largely abandoned thanks to the development of a new class of drugs known as H2-antagonists. These work by reducing the amount of acid produced by the stomach lining. The cells responsible for secreting acid are naturally triggered by histamine released in the stomach. The H2-antagonists act by blocking the action of the histamine on the acid-secreting cells.

Once the ulcer is healed, H2-antagonists are also used to prevent relapses. One study has shown that only 7 per cent of patients taking Zantac have a recurrence of duodenal ulcers within the first year, compared with 49 per cent of those who stopped taking the treatment. Glaxo reckons that about 80 per cent of patients with healed ulcers have a relapse if they do not take any maintenance therapy.

More recently a third class of treatment, known as proton pump inhibitors, has been developed. The best-selling version, Losec, is marketed by Astra of Sweden. The drug works by controlling the final step of acid secretion, blocking the



action of the H⁺ acid pumps in the stomach wall. This reduces the acid levels in the stomach and creates a suitable environment for healing.

Once healed, patients are normally prescribed an H2-antagonist to prevent a recurrence. This is usually for two years, but may have to be continued for life - an expensive process.

So the attention of gastro-enterologists is now turning to the eradication of the HP bacterium and the possible eventual end of such long-term maintenance therapy.

Specialists are unsure why there might be a relationship between HP and recurrent ulcers. According to

Vedin at Astra: "There appears to be certain biochemical similarities between the HP organism and proteins in the gastric lining, and that leads to damage. We know there is an effect, but it's only now emerging how that might occur."

At present, three different drugs are required to eliminate HP. The treatment involves taking as many as 25 tablets at five different times a day for up to four weeks. Patients have an understandable tendency not to follow the regime properly. There are also problems with bacterial resistance to the acid-resistant antibiotic involved in the treatment. Such drugs are normally only

administered in hospitals for patients who frequently relapse.

The race is on to develop an easily administered treatment that would replace the existing triple therapy and could be prescribed by general practitioners. Takeda of Japan and Astra are separately conducting trials using proton pump inhibitors and antibiotics such as amoxycillin. Astra believes the reduction in acid levels achieved by the inhibitor allows the amoxycillin to work more effectively.

Studies presented at the American Gastro-enterological Association's annual conference last week showed that Astra may have come up with an answer to the HP problem.

The studies demonstrated that Losec, together with amoxycillin, eradicated HP in as many as 80 per cent of duodenal ulcer patients, and of these all remained ulcer-free 12 months after the treatment. Specialists are now experimenting to work out the most effective dosage. Some preliminary work is also being done on gastric ulcers which are rarer than duodenal.

Glaxo meanwhile is also developing a Zantac-based treatment for HP called ranitidine bismuth citrate, which would coat the ulcer and protect it from further injury.

Astra admits there will always be a need for maintenance therapy. Even the new HP therapies do not work in all patients and H2-antagonists will also have to be used for patients on ulcer-forming, non-steroidal anti-inflammatory drugs.

However, the increasing preference of doctors for proton-pump inhibitors for the initial treatment of ulcers is already hitting sales of the H2-antagonists. Losec has already won 45 per cent of the acid-inhibitor market in Sweden and 24 per cent in Germany. It has further to go in the UK and US where it was only initially given limited approval - the drug accounts for only 13 per cent and 6 per cent in those markets.

The impact of an effective cure for HP is likely to accelerate the trend against the H2-antagonists. John Calam, senior lecturer in gastro-enterology at Hammersmith Hospital, London, reckons it could take less than three years for general practitioners to change their prescribing habits.

Others believe the natural conservatism of general practitioners will slow the change. Vedin estimates it could take more than five years for the market to alter fundamentally.

However, it looks as though a new HP therapy might not only cure the disease, it may also cure the maintenance market out of existence.

The series will continue next month by looking at mind drugs.

Technically Speaking

The mistakes of three blind mice

By Julian Burke and Sandy Thomas



RESEARCH on Alzheimer's disease, the most frequent form of senile dementia, has suffered a serious setback. Scientific error - and possibly fraud - have cast doubt on the validity of animal models used to investigate the disease.

This is unwelcome news for the biotechnology and drug companies which have raised hundreds of millions of dollars to develop new treatments for Alzheimer's and other neurological disorders.

Alzheimer's, which affects as many as 20 per cent of Americans over the age of 70, has a severe, degenerative effect on the nervous system. It results in a debilitating loss of memory, judgment and emotional stability.

What is the cause of Alzheimer's? Observations in the 1970s suggested that environmental factors - and aluminium in particular - might be responsible. This trail originated from data relating to a small group of kidney dialysis patients who had acquired temporary dementia. Although their brains contained unusually high levels of aluminium, this is now known to have been caused by concentrated aluminium salts in the dialysis fluid.

Instead, the immediate physical cause of Alzheimer's has been tracked down to a protein called beta-amyloid which accumulates in the patient's brain. Brain biopsies taken from Alzheimer's patients show characteristic accumulations of amyloid protein, known as plaques. Evidence that these are associated with Alzheimer's comes from experiments in which laboratory animals lost learning ability after injection with synthetic protein.

Amyloid - a protein whose normal function is not known - accumulates slowly in most human brains as they get older. But why does it build up in some individuals to such a degree as to cause Alzheimer's? Inherited genetic characteristics are one likely explanation.

Genetic mapping shows that, for some families, the gene responsible is on chromosome 21. Last

year a family with inherited Alzheimer's was found to be carrying a mutation in the gene for beta-amyloid protein, providing evidence for a direct correlation between the gene and Alzheimer's.

This discovery led to the development of three animal models for Alzheimer's, in which the normal human gene for amyloid protein is inserted into mice. The animals then accumulate plaque proteins in the brain and ultimately develop Alzheimer's symptoms. Unfortunately it now appears that two models are no longer valid, despite their initial promise.

A US group from Miles Research in Connecticut first reported transgenic mice showing Alzheimer's pathology. However, this report has now been withdrawn as an honest scientific error.

Then a second US group reported that over-expression of the amyloid gene gave rise to plaques similar to those in Alzheimer's patients. But this report has been retracted because the results cannot be reproduced. There is also doubt over whether the brain sections shown in the paper are from the model mice.

From the three transgenic models, only one still seems to stand up. This is a model produced by California Biotechnology and Daiichi Pharmaceutical of Japan, in which amyloid deposits have been observed in 10 different animals from three different genetic lines. However, it is too early to say whether or not these mice develop age-dependent symptoms and other features characteristic of human Alzheimer's disease.

The controversy highlights the essential role played by mouse models in developing and testing compounds to treat Alzheimer's. The studies cannot be done on Alzheimer's patients themselves, and monkeys are too scarce to use routinely for this research.

Despite the competitive pressures, however, researchers must be less hasty in publishing their results. Premature publication damages the reputation of those responsible and leads other scientists in the field to waste an inconsiderable amount of time and effort.

The authors work at the University of Sussex.

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(SHOWN WITH HIS DAUGHTER KATRIN)
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ARTS

Fine art/William Packer

Landscapes wild, rural and grand

Contrary to the impression given by the evident faintness of so much that calls itself modern art, there really is a great deal of serious and creditable painting still being done and shown, not in the Tate, perhaps, but openly in the galleries.

Maurice Cockrill is now 55, a painter of long-delayed but now burgeoning reputation, and deservedly so. He was always an expressionist and figurative painter when to be so was to put oneself quite beyond the critical pale. But a move to London from Liverpool ten years ago has brought a change of fortune, but it is with these new works, and with the tondo sequence of *The Four Seasons* especially, he seems to have entered not a new phase of development exactly, so much as a period of renewed imaginative confidence and technical assurance. The surface is open, the paint free and active in the handling, the colour clean and strong, the work overall dramatic, theatrical in its best sense.

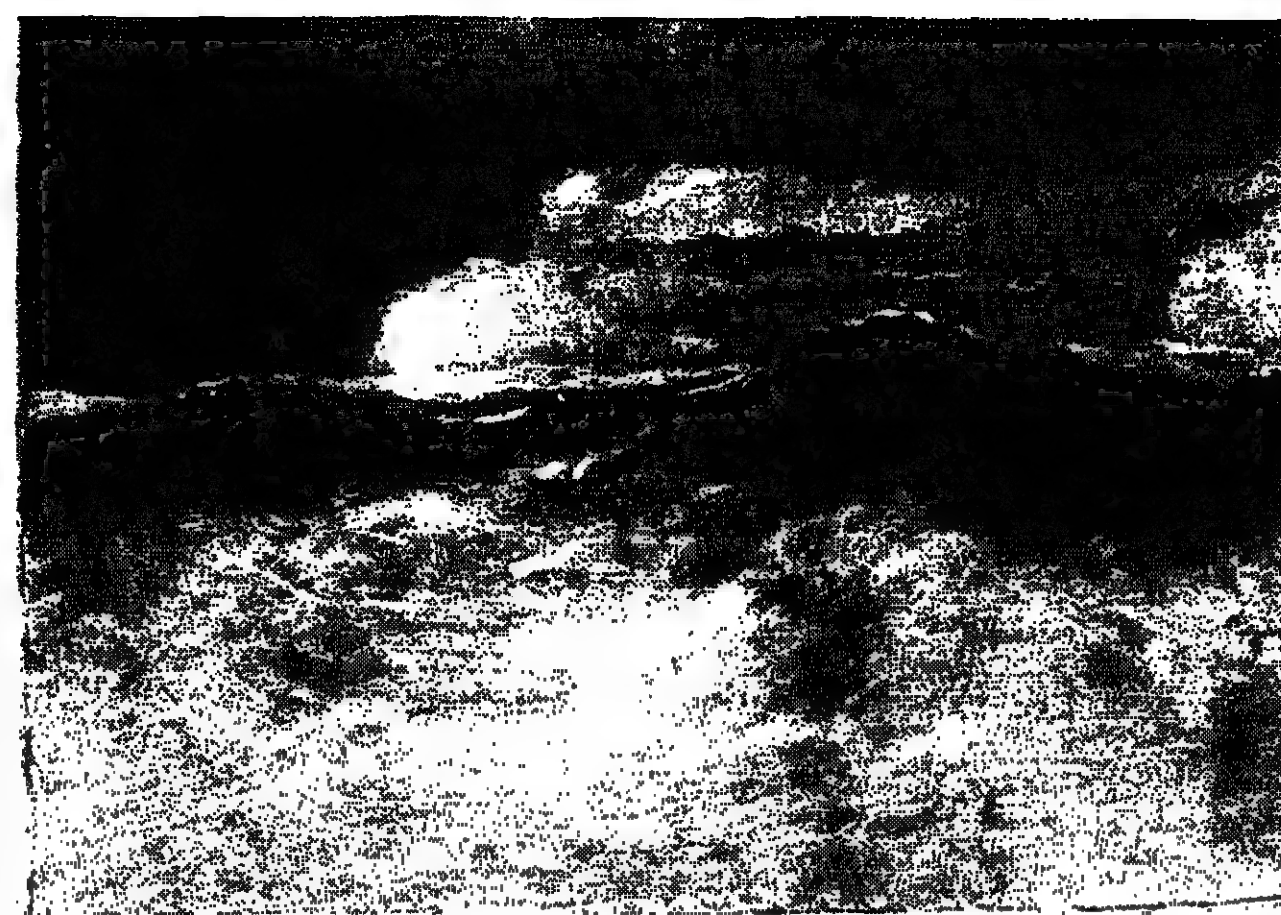
The subject is landscape for the most part, the landscape of romantic imagination and invention. My only reservation is that given such an approach, the tendency is always to simplify and formalise the particular element, even to decorate it arbitrarily. The closer the engagement, *ser le motif*, so rich and various is the reality that such necessities of pure invention simply fall away.

So it is with John Monks, whose takes on his subject the interior as a kind of still-life. The interior is grand rather than domestic, the space itself, defined by the bare walls and the door opening through to

the space beyond, the actual preoccupation. Or it might be an empty and crumpled cardboard box, set on a table before an empty mirror, and again the immediate space opens up to the space beyond, albeit in mere reflection. The composition is frontal, insistent in its repetition and reinforcement of the architecture, at once formal and descriptive. The paint is thick, laid on with a free but disciplined confidence, the tone dark, the mood intense and sombre, again theatrical. The suggestion, maybe unwitting, is to the Edwardian interiors of Sargent, or Lavery, or James Pryde most of all. And yet for all the strength and vigour, there is a subtlety and delicacy too, the atmosphere romantic and suggestive, intuitively established and fraught with imaginative possibilities. Monks, who shares this show with Julie Major, is barely 40 years old and by no means as well known as he deserves to be.

Len Tabner is another landscape painter, another expressionist of 40 or so. He too set his early career away from London, and although by the late 1970s his wild Turnerian paintings of the North Sea and the Durham coast were attracting some attention in mixed shows, it is only lately that he has been shown substantially and regularly in London. This latest exhibition comes by courtesy of Rosehaugh Stanhope, the developers of Broadgate.

The subject is still the shore, the sea and ships, and wild weather. In 1980 Tabner made a voyage to the South Atlantic, to Ascension, South Georgia and the Falklands, and this quite remarkable series of



'Sun Rising South Atlantic' by Len Tabner

paintings and studies is the result, all done, so it would seem, there and then, on the spot - perhaps even tied to the mast on occasion, in true Turner fashion. Worked in an active mixture of paint, charcoal and pastel, these sunsets, storms at sea, cliffscape and hulks rotting at the whaling station, all come in for the same expansive treatment - as free and expansive as we suppose the South Atlantic itself, and quite as positive and impressive.

Mary Newcomb, who makes up a rural trio with Mary Potter and Winifred Nicholson, might seem a world away from such strong stuff, but yet these latest landscapes, lyrical and

undermournful as they are, bear the Turnerian comparison no less. Now nearly 70, Miss Newcomb has never received her manifest due, perhaps by that very English trait that indulges a taste for charm while discounting it as unserious and self-indulgent.

She is, in short, a victim of her material, found in the incidents and visual occasions of rural life, and the subtle delicacy with which she treats them. What is overlooked is the free and radical qualities both of her pictorial wit and invention, and the freedom and scope of her actual painting. In such things as the large, elegant canvas of a bird singing in a hedge at dawn, such qualities

are inescapable.

Finally, Bruce Tippet, in his first British show in more than 30 years, offers a small retrospective of his work in that time. Now nearly 80, he has consistently trod the narrow line between representation and abstraction, the landscapes always teasing the one way, the abstract works the other.

The earliest works show a clear interest in the abstract expressionism and British neo-Romantic landscape then current. Hoffman on the one hand, Alan Reynolds or Middleton on the other, but all moderated, even then, by an overriding interest in the oriental tradition, in calligraphy in particular, that continues to

this day. It is the nicest paradox that his most distinctive and personal work, western artist that he so clearly is, should be that which is steeped unself-consciously in that tradition.

Maurice Cockrill: Bernard Jacobson, 14a Clifford Street W1, until June 13; John Monks: Paton Gallery, 2 Langley Court WC2, until June 6; Len Tabner: 199 Bishopsgate EC2 - view by appointment; John Tabner: 43 Old Bond Street; Mary Newcomb: Crane Kalman Gallery, 178 Brompton Road SW3, until June 14; Bruce Tippet: England & Co, 14 Needham Road W11, until May 30.

Opera/William Weaver

'Don Carlo' in Genoa

Genoa's lovely opera neo-classical opera house, the Teatro Carlo Felice, was to a large extent destroyed by bombs in 1943. In 1946 the enshrined discussion of its reconstruction began: competitions were announced, projects submitted, rejected, revised, bitterly debated. Bureaucratic and political - as well as aesthetic - dissension blocked all work until March of 1987.

Meanwhile, the handsome ruins dominated the city's main square, a funeral, useless monument, while opera performances of varying merit were heard in a converted cinema.

Last year, perhaps spurred in part by the approaching Columbian celebrations, the work was finally completed; and this season, the Carlo Felice open again. The new house was designed by a trio of architects headed by the brilliant Aldo Rossi.

Incorporating some of the remaining exterior of the old house, it is once more a focal point of Genoa. During the day, people stroll or meet under the elegant arcade. In the evening, if there is an opera or a concert, the theatre attracts the leading citizens of the Ligurian capital.

The season is fully subscribed, houses are regularly sold out. The interior (capacity 2000) has been much criticised; to emphasise the civic nature of the theatre, Rossi, in a sense, brought the outdoors into the hall, where doors and windows are to be seen in the walls, and a wooden railing runs along the gallery; but even Rossi's enemies have to admit that the acoustics are excellent, the sightlines perfect, and the seats comfortable. A between-acts drink at the bar does not involve much waiting. On fine evenings, the terraces overlooking the square receive a refreshing breeze from the nearby, but invisible sea. It is, in sum, a happy home, and people enjoy just being in it.

But what about the music? Arriving late on the scene, the general manager Francesco Ermani - imported from La Scala - had to use his wits to cobble up a programme; and, considering the lack of time and the tightness of his budget, he has served his public well: a French *Bohème*, a Barber, a Carmen, some visiting ballet troupes, foreign orchestras (including the Philadelphia with Muti, who appropriately conducted the Wagner "Columbus" Overture), and - currently - an interesting new production of Verdi's *Don Carlo*. A co-production, actually, conceived in conjunction with the Maryinsky Theater of St Petersburg and the Thalia Opera (responsible for the sets).

This was the four-act, Italian version of the opera, which Verdi prepared for La Scala in the early 1880's, at the time when he was first brooding over the suggested *Otello*. Verdi himself said that this redaction had "more sinew" than the original five-act French opera. Some things are lost in the revision - the

love duet, Filippo's lament over the dead Rodrigo - but much is gained. The *Don Carlo*, as heard in Genoa, though far from brief still, has a unique urgency and tight coherence.

It is a dark opera, and the staging by Teimouraz Chaidze, along with the sets of Teimouraz Mourvanidze, accentuates the gloom. Basic structures, delicate black columns with gilt ornamentation, suggested Spanish baroque as if revisited by Viollet-le-Duc. Though they were easily moved, the sets still maintained a prison-like air, even when, beyond the bars, a fountain lurled in the garden scene.

Sometimes Chaidze was over-inventive: a roving spotlight at the act's beginning seemed to be searching for a singer to illuminate (too much like what really happens in some of our opera houses); even more restless, a super-dressed as Charles V was too often the evidence. He actually entered Filippo's cabinet and confronted him at the beginning of the great monologue.

For the rest, the direction was sober and inoffensive. The music was allowed to speak for itself. Originally, the conductor was to have been Valeri Gergiev; but in the event, he was unable to reach Genoa, and the work was left in the hands of his colleague Alexander Anisimov, who had prepared the singers and conducted the rehearsals. Anisimov proved to be an excellent musician, supporting the singers without indulging them, setting the orchestra's pace, unhurried but fluent, from the tormented beginning to the mysterious finale. The Carlo Felice orchestra played well, promising even better in the future, as it settles into the hall.

Alberto Capuano was cast in the title role. An uneven singer at best, on opening night he was also indisposed and, after a rocky first act, he was replaced by the veteran Carlo Cossutta. The voice no longer has the ring and authority of former days, but Cossutta turned in a sturdy, acceptable performance. The young Roberto Frontali, a baritone obviously on the way to a notable career, was an appealing Rodrigo, of solidly bearing and lyrical voice.

The bass Roberto Scanduzzi is known to the London audience; he, too, is young, and his undisciplined youthfulness sometimes worked against his characterisation of Filippo, but vocally he was ever convincing and, in his monologue, deeply moving. Elizabeth Connell sang Elisabeth with warmth and authority; she moved regally, her gestures were expressive. Giovanni Casini's Elvira had plenty of flash and allure. The Veil Song seemed to try her voice, but she brought it off with panache, and was impressive in the later trio and in the scene with Illimitata.

All in all, this was a worthy *Don Carlo*, an occasion of interest, pleasure, and good omen.

Roland Petit in Rome

Roland Petit has always known that the theatre is a box of tricks. He has ever been a master of those tricks, a conjuror ready to pull some simple-seeming but astonishing feat from an empty sleeve. In his very earliest success, *Les Femmes de 1945*, Petit cast himself as a manager of a troupe of strolling players who was also a conjuror. *Chariot danse avec nous*, which I saw last Tuesday at the Teatro Eliseo, is a fine example of Petit as a producer for whom revue, music-hall, cinema, ballet, are facets of the theatre he loves. It is a fantasy about Charlie Chaplin (from whom Petit once requested, and received, a libretto), with 20 scenes that are variations on the theme of Chaplin as clown and film-maker. In them Petit juggles ideas, styles, ingredients with entire mastery.

That said, I have to admit that I am one of those for whom Chaplin is rather less entertaining than bubonic plague. W.C. Fields - now there was a comic - dismissed Chaplin as a *ballet-dancer*, and his worst suspicions would be aroused by the present show, in which Chaplin is indeed a dancer (Luigi Bonino from Petit's Ballet National de Marseille). Yet Petit pulls off the trick of the homage/commentary with real verve, in an entertainment cleverly designed for touring. The stage

is a black box, like the best conjuror's setting, into which minimal properties are introduced, and every hallowed fact of legerdemain is permitted.

With only six dancers - five men from the Ballet de Marseille; Elisabeth Terabust as guest - we are treated to quick changes, spaghetti eaten by strobe lighting, *ombres chinoises*, a snow-storm, captions as in the silent cinema, an "invisible" dresser from Noh drama, speeded-up Keystone Cops, scenes from *The Kid* and *The Gold Rush*, and the flickering agonies of early film melodrama. There is also an unabashed sentimentalism which brings us a blind flower girl, Chaplin's own stilted little melodies, and the tramp Charlie regularly down-trodden and achieving thereby a kind of immortality.

The evening has its uneven moments - Petit cannot escape the limitations of Chaplin as a screen hero - but Luigi Bonino has the physical resource and the unfailing timing that gives his portrait a theatrical edge. Terabust, who now directs the Rome Opera Ballet, is enchanting throughout; grandly serious when she needs to be in *pas de deux*, genuinely pathetic as the flower-girl; irresistibly stylish as *The Kid* - she has true physical wit - and as a saloon floozy. Jean-Charles Verchère, Laurent Dalibert, Thierry

Hauswald and David Vincendeau are admirable in the myriad things they have to do.

Design is by Luis Spinaelli, who helps Petit create a world through suggestions of scenery and properties. There is a problematic score, owed in part of Florentino Carpi, who has produced an effective sound-track, with Chaplin's own egregiously sentimental tunes woven into its fabric. But to seek to assign a certain universality to Chaplin by accompanying his scenes with chunks of J.S. Bach is worrying, and less justifiable than the playing of the Bach Passacaglia for Petit's *Le Jeune Homme de la mort* all those years ago. Here the music warps the character and the occasion. The evening is otherwise continuing proof of Roland Petit's vitality as a creator; if Chaplin is to be celebrated, then let it be with such verve and affection, and such loving theatricality.

Clement Crisp

The Petit quadruple bill at the Teatro dell'Opera, which preceded the Chaplin Show, had a much less enthusiastic reception, apart from *L'Arlesienne*, which pleased by virtue of Bizet's attractive and familiar score and also Raffaele Paganini's striking performance as the tortured young man of the Daudet story. After a low-key opening with

two extracts from the *Soirée Debussy* (with greater satisfaction supplied by the orchestra than by most of the dancers), the half-hour novelty arrived, *Valse Triana ou le retour des cignes*, to a collage of music by Sibelius.

If this *pas de quatre* was not in general much liked, perhaps this was on account of a lack of clarity - a rare criticism to make of Petit. The flaw may lie in his source, a piece of rather convoluted prose by Pierre Combescot, last year's winner of the Prix Goncourt. The theme encompasses swans, Wagner, Ludwig of Bavaria, Elisabeth the Empress of Austria and the ill-fated couple of Mayerling fame. Mary Vetsera and Archduke Rudolf. What is disconcerting is that on their entry the four dancers (Dominique Khaloum with Kader Belarbi in pale grey, and Elisabeth Terabust with Cyril Pierre, in black) are meant to represent their characters, which they then abandon, according to the choreographer, in their formal *pas de deux*, and so on, each dancing eventually with all the others.

The doom-laden atmosphere, the dim lighting and the sepulchral make-up - especially Terabust's and Belarbi's - call up a vision of graveyards, which is reinforced at the end when they all make their exit through a trap-door. It is also



Luigi Bonino as Charlot

fostered by the music; Sibelius is hardly a favourite composer in France or Italy, but it seems the choice was Combescot's.

If in conception the work is an addition to the long list of Petit's love/death ballets, the absence of narrative transforms it into an interesting and inventive piece of pure classicism, which repays attention.

While all four dancers have

abundant opportunity to display their considerable prowess and artistry, it is Khaloum - above all for her solo to the inevitable *Swan of Tuonela* - who stays in the mind. If Petit's frequently announced remake of *Swan Lake* materialises, she will be a superb Odette.

Freda Pitt

INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Martin Kamminga conducts Handel's oratorio *Israel in Egypt*. Tomorrow: cello recital by Julian Lloyd Webber. Thurs and Sat: Muhai Tang conducts the Netherlands Philharmonic (8718 345).

Muziektheater 20.00 Hartmut Haenchen conducts Harry Kupfer's production of *La Damnation de Faust*, with Barry McCauley, Willard White and Marianne Rorholm, also Fri. Thurs, Sat and Sun: Dutch National Ballet (8255 455).

BARCELONA

Palau de la Musica 21.00 Libor Pešek conducts Royal Liverpool Philharmonic Orchestra and Choir in Mahler's Eighth Symphony. Thurs: Jessye Norman. Next Mon: Mstislav Rostropovich plays Bach (268 1000). Teatro Fortuny 22.00 Igor Blashkov conducts Kiev Philharmonic Orchestra in works

by Tchaikovsky, Rakhmaninov and Berlioz (977-315059). Basilica de Sta Maria del Pi 21.00 Musicians of Swan Alley in vocal music by Dowland and others (258 8907).

Other events this week include Paul McCartney's Liverpool Oratorio on Fri at Palau de la Musica (2089). Haydn's Creation on Sat at Teatro Joventut (448 1210) and Luciano Pavarotti in *L'esir d'amore* at the Liceu on Sun, also May 27 and 30 (412 1466).

BERLIN

Philharmonie 20.00 Leonard Slatkin conducts Berlin Philharmonic Orchestra in Bernstein's Second Symphony and Dvorak's Seventh, also tomorrow. Thurs: Pinchas Zukerman (West Berlin 2548 8232). Deutsche Oper 20.00 Andreas Schmidt sings *Lieder* by Hugo Wolf. Tomorrow: *L'italiana in Algeri* (West Berlin 3410 249).

GENEVA

Victoria Hall 20.30 Didier Godel conducts the Société de Chant Sacré and the Orchestre du Collegium Academicum in choral works by Friedrich Gernshelm (1839-1916) and Milhaud. Tomorrow: Armin Jordan conducts Prokofiev's Second Piano Concerto (Jean-Francois Antonelli) and Beethoven's Sixth Symphony (311 2511). Grand Théâtre 20.00 Jeffrey Tate conducts Kurt Josef Schildknecht's production of

Well's Mahagonny, with Anne Howells, Marie McLaughlin and Warren Ellisworth. Also Thurs and Sat (311 2311).

GENOA

Teatro Carlo Felice 20.30 Valery Gergiev conducts Don Carlo, co-production with Kirov Opera, repeated on Fri and Sun afternoon. Thurs: Riccardo Muti conducts Philadelphia Orchestra (589326).

LONDON

Covent Garden 19.30 Mark Ermler conducts *La bohème*, with Angela Gheorghiu and Roberto Alagna, also Thurs. Tomorrow and Sat: *I Puritani*. Sat: Salome (071-240 1066). Coliseum 19.30 Andrew Greenwood conducts Graham Vick's ENO production of *Madama Butterfly*, with Janice Cairns and Arthur Davies, also Fri. Tomorrow and Sat: Monteverdi's *Ulysses* (071-836 3181).

Barbican 19.45 Antonio de Almeida conducts RPO in works by Smetana, Sibelius, Bruch, Grieg and Dvořák. Thurs: Academy of St Martin in the Fields. Fri: Mark Wigglesworth conducts BBCSO. Next Tues: Dmitri Hvorostovsky (071-638 8891).

MADRID

Teatro Lirico La Zarzuela 21.00 Arturo Tamayo conducts Simon Suarez's production of Ravel's *L'Heure Espagnole* (with Claire

Powell and Gabriel Bacquier) and Miguel Angel Corta's new opera *Bella*. Repeated on Thurs and Sat (429 8225). Auditorio Nacional de Musica 21.00 Guitar recital by Ricardo Iznaola. Fri, Sat, Sun: Xavier Quells conducts Spanish National Orchestra (337 0100).

NEW YORK

Jazz Blue Note Jazz Club and Restaurant This week's guest artists are Dr John and the New Island Social and Pleasure Club. Showtimes at 21.00 and 23.30 (475 8592).

CONCERTS/DANCE Metropolitan Opera 20.00 American Ballet Theatre in *Coppelia*, daily till Sat (362 6000). State Theater 20.00 NY City Ballet repertory, daily till Sun. Next week: NYCB Diamond Project (870 5570).

Avery Fisher Hall 19.30 Kurt Masur conducts New York Philharmonic in a programme of concertos with orchestra principals as soloists. Thurs, Fri, Sat and next Mon: Britten's *War Requiem* (875 5030).

PARIS

Théâtre de la Ville 20.30 La Princesse de Milan, choreography by Karine Saporta, music by Michael Nyman, production from Centre Chorégraphique National de Caen. Daily till May 26 (4274 2277). Opéra Bastille 19.30 Elektra with Gwyneth Jones and Leonie Rysanek. Runs till May 29, next

performance on Fri (4001 1616). Salle Pleyel 20.30 Erich Bergel conducts Ensemble Orchestral de Paris in works by Hindemith, Mendelssohn and Beethoven, with Salvatore Accardo violin soloist (4561 0630). Fri: Yuri Bashmet. Sat: Prokofiev's *Ivan the Terrible* (4563 0798).

STRASBOURG

Théâtre Municipal 20.00 Passionné, musical comedy by Messager, also tomorrow, Thurs and Fri. Sat in Salle Paul Bastide: song recital by Daniel Dinant (8875 4823). Tomorrow and Thurs in Palais de la Musique: Theodor Guschlbauer conducts Strasbourg Philharmonic Orchestra, with Sylvia Marcovici (8837 6777). Théâtre National 20.30 Un Homme Pressé, Bernard Chartreux's play inspired by the Book of Job, in a production from Théâtre Nanterre Américains. Daily except Sun and Mon till May 30 (8835 4452).

TORONTO

Elgin Theatre 20.00 Canadian Opera Company presents world premiere of Harry Somers' new opera *Mario and the Magician*, based on the novella by Thomas Mann. Richard Bradshaw conducts, Robert Carsen directs, Michael Levine designs. Runs till May 30, next performances on Thurs and Sat (872 2262).

VIENNA

Staatsoper 18.30 Fabio Luisi

conducts Don Carlo, with Plácido Domingo, also Sun. Tomorrow: Queen of Spades (51444 2960). Musikverein 19.30 Song recital by Hermann Prey. Tomorrow: Pinchas Zukerman (508 8190). Konzerthaus 19.30 Alban Berg Quartet, with Elisabeth Leonskaja. Repeated tomorrow (712 1211).

WASHINGTON

CONCERTS/MUSICALS Kennedy Center Mstislav Rostropovich conducts tonight's concert with the National Symphony Orchestra. Tomorrow: Nana Mouskouri. Thurs: NSO Pops. Fri and Sat: Stephen Simon directs the Washington Chamber Symphony (Concert Hall, 467 4600).

Buddy: musical about Buddy Holly, daily except Mon till June 14 (Opera House, 467 4600).

Once on this island: a Caribbean musical tale of love, loss and redemption, transferred from Broadway. Opens on Fri, runs till June 27 (Eisenhower Theater, 467 4600).

THEATRE

The Misanthrope: Molière's comedy, till June 7 (Center Stage at Pearlstone Theater 410-685 3200).

The Visit: Dürrenmatt's play, runs till June 14 (Arena 554 9066). JAZZ/CABARET Blues Alley Jazz Supperclub This week's guest (tonight till Sun) is pianist Ahmad Jamal. Next Mon: Blues Alley Youth Orchestra (1073 Wisconsin Ave, in the alley, 337 4141).

European Cable and Satellite Business TV

(all times GMT)

MONDAY TO FRIDAY

BNW 2200-2300, 2300-2350 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman.

Super Channel 0830-0900 (Mon) FT East Europe Report - weekly in-depth analysis from FTV.

2130-2200 (Tues) Media Europe - what's new in European media business.

2130-2200 (Wed) FT Business Weekly - global business report with James Bellini.

0830-0900 (Thurs) Media Europe 2130-2200 (Thurs) FT Eastern Europe Report.

0830-0900 (Fri) FT Business Weekly.

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0230-0300 (Fri) FT Business Weekly.

Super Channel 1830-2000 FT Eastern Europe Report.

SATURDAY

CNN 0800-0900 World Business This Week - a joint FT/CNN production 1800-1930 World Business This Week.

Super Channel 1800-1930 FT Business Weekly.

Sky News 1230-1400, 2030-2100 FT Business Weekly.

FINANCIAL TIMES

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Tuesday May 19 1992

Thai generals out of time

FOR THE PAST 25 years in Thailand, politics has not been allowed to get in the way of business. Few countries in Asia have rivalled its dedicated, if blinkered, pursuit of profitable development. For the past two and a half decades, the country's annual average increase in gross domestic product was close to 9 per cent, accelerating to an extraordinary 11.7 per cent from 1989-90. Thailand can claim to be the world's fastest growing economy.

There has inevitably been a price to pay, but just how big the bill would eventually be has not been the subject of intense internal debate. The latest political manoeuvring by the army and outbreaks of violence in Bangkok suggest that those assessments must assume greater urgency.

Thailand's problems stem, in common with other rapidly developing nations in Asia, from the unwillingness of the ruling elite to appreciate the enormous changes wrought in the economy and society since the mid-1960s. Traditionally, Thailand has been governed through the interaction of the monarchy, the military, civilian politicians and the higher ranks of the civil service. Disagreements between them, including military coups, were a matter of limited popular concern and did not interrupt economic development.

Politics transformed

The system worked while Thailand remained primarily a rural and agricultural nation. But the transformation of the economy into one dominated by manufacturing and services and centred on metropolitan Bangkok has also transformed politics. In February last year, the elected government headed by General Chatichai Choonhavan was removed from office by a military takeover led by General Suchinda Kraprayoon. Although there was no national election, the military's intervention over the democratic process, few tears were spilled over a government which, even by Thailand's laxest standards, had brought exceptional financial rewards to its leading members. General Suchinda promised that he had no political ambitions, arranged for elections, did not stand as a candidate, then found himself invited by the majority parties to become prime minister. His first cabinet

included several of the men whose removal he had engineered a year earlier.

Such a cynical manipulation of the system might not have raised many eyebrows a couple of decades ago when communism threatened south-east Asia and the west's view of the region was dominated by domino theories. But today the too-long ignored HIV virus and the destruction of the environment both pose a far greater threat to the Thai people than Vietnam. The role of the army as the nation's protector has massively diminished but not, it seems, its perception of itself.

Emphatic message

That message is now being more emphatically brought home to the army by the people of Bangkok. In the March general election, the capital voted massively for the Palang Dharma party headed by another ex-general and former governor of Bangkok, Mr Chamlong Srimuang. The party took 32 of the 38 seats in the capital. Mr Chamlong is a devout Buddhist who refuses to countenance the purchase of votes as widely practised by other parties. As such, he is a distinctively new force in politics. His campaign against the non-elected General Suchinda's assumption of the premiership has been the catalyst of the present crisis.

The killing of demonstrators in Bangkok yesterday is not the background against which General Suchinda can hope to build an effective government. He initially offered to support an amendment of the constitution which would allow only an elected MP to become prime minister. But together with the main political parties General Suchinda has since backed away from the idea and the prime minister's stance has become more confrontational. In the short-term, such tactics might allow General Suchinda to hold on to power. But he will have drawn the lines for a future confrontation that will be very much more serious. Thailand has reached the point of economic development where education, political awareness and a series of critical social issues demand greater popular participation. To pretend otherwise would be to put at risk what has been achieved in the past 30 years.

Privatisation plus for BR

IT IS a small step towards the privatisation of British Rail, but last week's introduction of privately-operated carriages on BR's night trains between London and Aberdeen is significant in at least two respects.

The obvious one is that this is the first time since the nationalisation of the railways in 1948 that a private company has been allowed to break BR's monopoly on the operation of regular passenger services.

But perhaps more important, it exposes the fallacy of the argument that privatisation necessarily implies reductions in railway services as private-sector companies trim back loss-making operations to a profitable core.

In this case, the reverse has happened. BR had been axe the seat-only carriages on its London-Aberdeen sleeper trains because not enough people were using them. Now, a private bus company called Stagecoach, convinced that it can fill the empty seats, is backing its hunch by investing £1m a year in taking over the operation of the carriages. Result: the provision of a rail service which, under state ownership, would have ceased to exist.

Sometime before parliament breaks up for the summer, this hesitant start should be followed by a white paper setting out the government's plans for stimulating private sector involvement in the railways on a far larger scale. Details are still hazy, but the framework is clear. After months of embarrassing bickering in the run-up to the general election, ministers have at last settled on a cautious approach: a form of creeping denationalisation rather than any "big bang" break-up and sale of the network.

Franchised trains

Although the freight and parcels operations are to be sold off, along with the commercially attractive stations, the track network and the passenger services will stay in BR's ownership. But private companies will be allowed to run their own trains on BR's tracks, and the operation of BR's passenger trains will gradually be franchised to the private sector. Eventually, those franchises may be converted to outright sales, reducing BR's role

to that of a state-owned track authority.

Insofar as the first priority of privatisation should be to give Britons a better railway, this formula represents a triumph of sanity over dogma. BR is so vast, so complex, and above all, so unprofitable that any "big bang" break-up and sale of the railways would have been fraught with risks of chaos and possible cuts. It is by no means clear, in any case, that the government would have found any buyers.

Reduced risk

Under the current, less ambitious proposals, the risks are vastly reduced. The private sector has so far shown little enthusiasm for assuming the massive costs involved in the ownership and operation of track infrastructure. The government's decision to leave responsibility for the tracks with BR has resulted in private sector companies like Stagecoach exploring opportunities to provide new train services or to take over and improve existing ones.

Conceivably, the result might be that rail plays a far more prominent role in feeding the nation's insatiable demand for more and better transport, to the greater benefit of all. But if that desirable objective is to be achieved, one crucial condition will need to be satisfied: that the price charged to private sector operators for the use of the tracks is competitive with that charged to private sector users of the roads.

At present, the two modes are in disequilibrium because users of the railways have to pay for the use of the track infrastructure while roads are free at the point of use. The result is that rail can rarely compete with road on price. If the rail privatisation process is to achieve its full potential, this disequilibrium must be redressed. Privatisation will never succeed if users of state-owned railway tracks endure charges while users of state-owned roads go free. The government must either face the need for a system of charging road users the full social costs of road use, perhaps through some kind of electronic pay-as-you-go system, or make the use of the railway tracks free. If it does neither, railway privatisation will be an opportunity missed.

The gasp of relief that reverberated across Germany yesterday morning was almost audible. Against all the odds, and literally at a few minutes to midnight, trade union leaders and employers in the mighty engineering industry stepped back from the brink of outright conflict and agreed a new pay deal.

Two days of painstaking, small-scale negotiations, much of it behind closed doors between just two key negotiators, and for most of the time looking condemned to failure, brought an agreement for Germany's 4m engineering workers which both sides can present as a sensible compromise.

It is below 6 per cent, close removal to the 5.4 per cent awarded to public sector workers 10 days ago. It is also a 21-month deal, buying the employers sorely needed breathing space at a time of growing cost pressures and economic uncertainty.

Just when everything looked gloomy, after a bruising 11-day public sector strike, public squabbling within the ranks of the government, the economy slowing and the budget deficit bloated, and a worrying growth in support for the extreme right in the polls, Germany's famed social contract held intact, and a deal was done. The Frankfurt stock exchange took the cue with a leap of 34.36 points (almost 2 per cent) in the DAX index.

The first good news for the German political and economic establishments in months coincided with a second apparent victory for good sense: the confidently predicted recommendation by the Ministry of Defence to pull out of the multi-national European Fighter Aircraft (EFA) project with Britain, Italy and Spain. Although the decision has yet to be finalised, it is taken for granted in a wave of virtual euphoria in the German press and much of the political establishment.

With the notable exception of Die Welt, the conservative daily newspaper, editorials across the country congratulated Mr Volker Rühe, the new defence minister, for cancelling the government's most glaring prestige project. They praised him for reaping a tangible "peace dividend" from the end of the Cold War, and giving an example on how to save money for the far more urgent reconstruction of east Germany.

The trouble with this double dose of good sense is that things may not be quite so simple. For German industry, at least, the events of the past two days contain both good and bad elements.

In the short term, the pay deal and the EFA decision may be good news: on the one hand a bloody strike has been avoided, and a relatively modest pay deal agreed. On the other, a headline-grabbing gesture has been made to prune government spending, and show prudence to the rest of the economy.

In the longer term, both developments are more worrying. The engineers' deal is still expensive, and it confirms an agreed cut in working hours next year from 37 to 36 hours a week - in a country where the working week is already the world's shortest. A decision to pull out of EFA will leave German industry on the sidelines in a crucial area of high technology, and seriously damage the country's reputation as a reliable international partner.

As far as the engineers' pay deal is concerned, the clear majority of commentators clearly believes it is good news. Gesamtmetall, the engineering employers' association, welcomed above all the duration of the deal. Mr Hans-Joachim Gotschol,

Germany's social contract is intact despite a bruising pay round and unification costs, write Quentin Peel and Christopher Parkes

Partners pull back from the brink



the president, said it was "an important step away from the false wage moves of the current year", indicating a gradual return to stability.

The one dissenting voice was that of Mr Hans-Peter Söhl, president of the German chamber of commerce and industry. He said that this particular wage award was still far high. "This agreement will lead to further rationalisation, and the scrapping of yet more jobs," he was distressed that the two sides had not agreed to postpone the cut in working hours.

Economists had mixed, but generally positive feelings. "The German economy has come out of this with one black eye," said Mr Willi Leibnitz, head of the macroeconomics department at the Ifo economic institute in Munich. He agreed that if IG Metall, the engineering workers' union, had hung on and gone on strike for 6 per cent or more, the combination of upward pressure on parallel pay negotiations (for printers, building and textile workers, for example) and the loss of production from the strikes would have left the economy with two black eyes and a bloody nose to boot.

Instead, the economy has emerged bruised but unbowed. In any case, most economic forecasts allowed for wage increases of between 5.5 and 6 per cent this year compared with an average of 7 per cent last year - and still expect

at least 1 per cent growth in gross national product (in west Germany) this year, or 1.5 per cent in gross domestic product.

But why were the engineering workers prepared to settle for so much less than their original demand of 9.5 per cent? "One political strike is enough," Mr Leibnitz said, reflecting a widely held view that after the public sector stoppage they would have attracted little public sympathy.

On the positive side, too, is the conviction that the IG Metall deal is the key to the current annual wage round. "No trade union will dare call an extended strike now," says Mr Jürgen Pfister, chief economist at Commerzbank in Frankfurt.

"The wage round is as good as over," said a trade union researcher. "The one person who must be really relieved is Mrs Monika Wolf-Mathies (leader of the OTV public sector workers' union). She is facing a revolt from the grass roots over her 5.4 per cent deal, and now she can say that the mighty IG Metall has scarcely done better."

The worry is nevertheless that the rate of pay rises is well above the 4 per cent target recommended by the five wise men (the government's independent economic advisers) in their last report - a target

seen as essential to cope with the greatest challenge of all, the reconstruction of the east German economy.

"German wage rounds, by and large, used to be not too far distant from the macroeconomic needs of the country," Mr Leibnitz said. "We are also used to relatively high increases in productivity. But for the coming years we need to avoid inflation, or the financing of the east will become very difficult."

That is certainly a view shared by the German Bundesbank, whose president, Mr Helmut Schlesinger, also cautioned yesterday against excessive euphoria.

"The Bundesbank doesn't have any new room for manoeuvre," Mr Pfister of Commerzbank said. "But in the second half of the year, if the money supply comes down towards the target zone (3.5 to 6.5 per cent growth), there is a better chance of an interest rate cut." At least it removes the pressure for another increase in interest rates, Mr Leibnitz believes. Mr Schlesinger simply says that the monetary brakes will remain on until money supply is under control.

One of the Bundesbank's abiding complaints is that the government in Bonn, and those in the 16 Länder, have failed to make adequate budget savings since unification, to make room for spending in the east. The public sector borrowing

requirement is a crucial factor behind excessive credit expansion, in turn a key element in the current 8 per cent-plus growth in broadly defined money supply.

In the light of that argument, the decision to pull out of the EFA project - or the Jäger 90 as it is known in Germany - should be seen as a good move in Frankfurt. The long-range budget for 2005 has DM12bn set aside for the fighter. It is also seen as a very shrewd political move by Mr Rühe, former secretary-general of Chancellor Helmut Kohl's Christian Democratic Union (CDU). Press response suggests it will be overwhelmingly popular with the voters, except in Bavaria where most of the jobs will be lost.

The most immediate political problem is that it will alienate the Bavarian-based Christian Social Union (CSU), whose leader Mr Theo Waigel, the finance minister, yesterday demanded a top-level meeting with Mr Kohl on the issue. Mr Waigel is already feeling uncomfortable in the coalition, with the right-wing Republicans breathing down his neck in Bavaria, and the snub to his party over Jäger 90 can only make matters worse.

The debate over the aircraft has been thus far one-sided and ill-informed. It has become a byword for government extravagance on a Cold War project. Yet there is no serious alternative aircraft available for what the Luftwaffe wants - air-to-air defence - beyond 2000, and the savings gained by opting out will be very largely concentrated at the end of the century, when the current budget crisis should be past.

More than that, Germany will almost certainly have to pay substantial compensation to its erstwhile partners, while at the same time sacrificing possibly as many as 20,000 jobs in its aerospace industry.

Die Welt put its doubts in a front-page editorial yesterday. "So the Bonn coalition will say 'no' in a few weeks' time to buying (the aircraft). It is already perfectly obvious how great will be the jubilation in the land. But the ruling parties will simply be demonstrating just how worn out they are, unable to do the very things which they know are right. And what then?"

The probable cancellation of the EFA in Germany is a political move far more than a financial one. But it does show just how great are the pressures on the government, above all the need to be seen to be coming to terms with the soaring costs of unification. Mr Rühe knows the depth of that public concern and is responding to it.

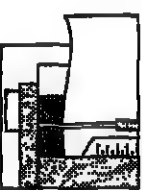
None of the long-term problems have gone away, despite the temporary relief at the settlement in the engineering workers' dispute. The east German economy is still in a state of collapse, if not in free fall, and unemployment in the east often reaches a real 80 per cent (disguised by job creation schemes, short-time working and early retirement) in key areas. Transfers from public funds this year from west to east Germany are expected to reach DM180bn (£61.2bn), and many suspect that Mr Waigel is wildly optimistic to believe he can almost halve his budget deficit from DM45bn to DM25bn by 1995.

On the other hand the strike settlement may have proved two things. First, it suggests that Germany's trade unions are beginning to realise the inevitable belt-tightening which unification means for everyone. And second, it indicates that the social contract in the west is still alive and well, even when the desire to fight for a shrinking cake is almost overwhelming.

PERSONAL VIEW

Maastricht's minor role

By Brian Tew



The Maastricht treaty on European union details the evolution of monetary arrangements from now till 2000. By then hopefully all the UK's fellow EC members are expected to have replaced their currencies with a single EC currency, managed by an EC central bank. Will the treaty prove a reliable guide to the future course of events? The obvious precedents - the Bretton Woods Agreement of 1944 and the Exchange Rate Mechanism (ERM) Agreement of 1979 - offer little hope.

The Bretton Woods regime of the 1950s was *de facto* one of free foreign exchange markets in which central banks operated by pegging on the dollar; but the 1944 agreement made no mention of free markets, of central bank dealings in such markets, or of pegging on the dollar.

Likewise the ERM regime in the 1980s was *de facto* one of pegging on the D-Mark, with almost all the provisions of the ERM agreement turning out to be dead letters. The intention that official intervention should be wholly in European currencies (rather than in dollars) has been ignored, as has the intention that the burden of adjustment should be shared between strong and weak currency countries. The official Ecu in the agreement (as distinct from the market Ecu adopted by private-sector intermediaries) has not played its prescribed role; in particular the so-called "divergence indicator" has not been important in practice. The credit provisions of the agreement have remained almost unused. The European Monetary Co-operation Fund has not been transformed into the

proposed European Monetary Fund, as was intended should happen in 1981. Moreover, the most effective peggers on the D-Mark have been Austria and Switzerland - both non-members of the ERM.

Central bankers are pragmatic. In the 1960s they judged the best arrangement to be pegging on the dollar. Then, in the 1970s, when the dollar waned, most of Europe (though not the UK until October 1990) turned to the D-Mark instead.

Post-war experience warns us against accepting uncritically the Maastricht treaty as a guide to the future. Instead we must consider the reactions of decision-makers to the likely circumstances of the 1990s, especially since the EC's pegging regime will differ from both the 1980s and the pegging-on-the-dollar regime of the 1960s.

This is because financial deregulation has reduced the instruments available for implementing monetary policy. Exchange controls have now gone; in consequence financial regulations (such as credit ceilings) serve to drive business off-shore, and changes in fiscal policy or longer have a predictable effect on the exchange rate. (A stricter fiscal policy improves the balance of trade but discourages the inflow of capital since the government becomes less active as a borrower.)

The only surviving instrument of policy is the management of short-term interest rates and in a pegging regime this instrument has to be dedicated to maintaining the peg. The only objective which might take precedence over maintaining an invariable peg is combating stagnation.

Currency depreciation operates to cut unemployment by improving the international competitiveness of home industry, but only so long as the domestic economy is not so

fully integrated with neighbouring economies that the depreciation is not offset by an equivalent rise in home-currency prices. This proviso means that already by now Germany's smaller neighbours are unable to improve their competitiveness by currency depreciation and thus stand to lose nothing by freezing their exchange rates with the D-Mark or by a transition to a common currency. The same will be so of other EC states as their economies become assimilated into the wider Community economy.

There is, however, a second argument. The Belgian authorities might hypothetically argue as follows. "We want to reduce unemployment not by making prices more competitive but by cutting interest rates. This means that to offset the capital outflow which would result from lower interest rates, we must allow the franc to depreciate, while encouraging the expectation that it will recover." This is not plausible because the market would be unlikely to expect any recovery of the Belgian currency unless its initial depreciation left the franc "undervalued".

Already adjustments in exchange rates afford no advantage to those EC members whose economies are so fully integrated that such changes would be offset by equivalent changes in their domestic prices. Other EC members may be reluctant to abandon the possibility of a realignment of exchange rates until their economies become more integrated into the Community economy. It is thus the pace of integration, rather than the Maastricht treaty, which will determine the timetable for monetary union.

The author is professor of money and banking at Loughborough University Banking Centre

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THINK LINES

Britain's thin blue line on the drawing board

Kenneth Clarke, the home secretary, is to deliver a message of reform and greater efficiency to the police force, says Alan Pike

Mr Kenneth Clarke will arrive at the Police Federation conference in Scarborough on Wednesday like a relay runner passing the baton of reform from department to department in Whitehall.

His audience will see him as a man with a mission to reduce the power of public sector vested interests in the cause of efficiency and better service.

At the Department of Health Mr Clarke braved the outrage of doctors. One consequence of the government's reforms was to attack the medical profession's collective power.

Moving to education, he displayed similar decentralising tendencies towards management of teachers, unions and local education authorities.

Now Mr Clarke is home secretary, and he is turning his attention to the police. And while he does not wish to be seen as imposing cuts for the sake of it, public spending pressures mean he must improve police performance.

Britain's police forces have enjoyed a growth in financial resources under Conservative governments that is the envy of other public services. The Conservative election manifesto claimed a 74 per cent increase in real terms in spending on the police since 1979.

Police strength has grown by 16 per cent since then. If this is measured against a single criterion — the crime rate — it was wasted. Recorded crime now stands at all-time record levels, with offences notified to the police rising by 16 per cent to 5.3m last year.

It would be unfair to assess the value of the police service purely in terms of crime figures which are, in any case, not the most accurate statistics. They are, however, one way in which the public and MPs evaluate the police.

Opinion polls show that the public wants more police officers on the beat, and Conservative governments have tried to provide them. Not only is Mr Clarke now constrained by pressures to contain public spending, but there is evidence that increasing officers on the streets is not necessarily the best way of tackling crime — a Home Office study found that a London foot patrol officer was likely to pass within 100 yards of a burglary in progress only once every eight years.

The police service has recently been trying to place the debate about its effectiveness and this value of policing in a broad social context. Senior officers have spoken about the impact of unemployment and other social problems on crime. A nine-



Kenneth Clarke, seeking a more efficient police force

point policing agenda published by the Police Federation last autumn focuses firmly on the broad agenda.

But both the federation — the nearest thing to a trade union for rank-and-file officers — and senior ranks will find the home secretary also wants to examine the performance of the police service itself.

There are similarities between the police and Mr Clarke's old battlegrounds in the National Health Service. Labour costs account for the bulk of expenditure in both organisations — about 80 per cent in the case of the police — and this is therefore an area where improved efficiency must be sought.

The grip of professional insiders on both services is maintained by the specialised nature of the work and the fact that there is little scope for outside competition. So incentives to improve performance have to be constructed within the organisation.

In the health service Mr Clarke separated the purchasing of health care from its supply, making health authorities and hospitals bid for contracts in an internal market. While

this could not find a direct parallel in policing, the home secretary is certain to encourage efforts already under way in some forces to shorten lines of command and devolve decision-making and budget-holding responsibility.

The management structure of the police service is powerfully reinforced by a hierarchy based on formal, military-style rank. Although the great bulk of day-to-day police work is carried out by humble constables acting on their own initiative, they are supported by a senior management structure in which, the Audit Commission suggested in a report last year, has become top-heavy.

Some jobs, concluded the commission, tended to be allocated on the basis of rank rather than the actual requirements of the post. Once a job was occupied by a superintendent, it implied the need for "all posts of similar levels in management lines to be occupied by superintendents."

Many forces are addressing such criticisms by adopting simplified management structures, pushing decision-making to lower levels and sometimes giving control of budgets to

The management structure is reinforced by a formal military-style hierarchy

OBSERVER

The politics of broking

■ It may have taken US business tycoons such as the Rockefellers several generations to move into politics, but in Russia it all seems to be happening at once. Konstantin Borovoi, who founded the Russian Commodities Exchange and the Russian Stock Exchange, has now started his own political party.

The Economic Freedom Party, dedicated to "protecting economic liberty", was founded at a meeting of 3,000 brokers in his exchange. Not surprisingly, it unanimously voted Borovoi chairman.

The chairman, a former maths professor, denied his move was prompted by falling profits in his exchange since the January price rises made commodity dealing less profitable. Instead, he said, he had finally succumbed to two years of pressure from "famous political and public leaders of liberal orientation" who had consistently nagged him to found a party.

There is now, he said, "a vast social group, people who represent a new economy". Altogether it numbers around 40m people and "so far it has no political power," he says. The desideratum for those who wish to be associated with the party? "High moral standards," says Borovoi, who claims he never pays bribes.

Moving up

■ If any captain of industry needs reminding how important it is to cultivate the City, he could do a lot worse than plot the career of Sir David Plafow who picked up another prestige job yesterday — the chairmanship of Incheape. He is already deputy

chairman of the TSB and Guinness and has collected an impressive list of other non-executive directorships.

Sir David's career at the helm of Vickers, one of the grand old names of engineering, is said to have been a success. He rescued Rolls-Royce Motors from bankruptcy, merged it into Vickers and tried to knock some sense into a company which had long since lost its way. He has campaigned against geriatric chief executives who hang on well past retirement age, so there is no surprise that he is leaving Vickers this month.

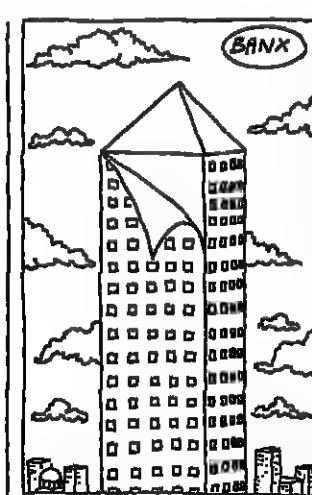
Even so he is leaving a company which has just cut its dividend and where there is a question mark over its future strategy and untested leadership. Some investors might wish that Sir David had waived his own retirement rules and stuck around to pilot Vickers out of its current problems.

The chairmanship of a successful company like Incheape should pose a less daunting challenge.

Genschler's giggle

■ The irrepressible Hans-Dietrich Genschler, who handed in his cards yesterday after 18 years as Germany's foreign minister, couldn't resist a departing crack during a morning radio interview. It was at the expense of his British colleague, Douglas Hurd, and his visit to Genschler's home town of Halle — a grimy industrial city in east Germany through which all diplomatic visitors have dutifully traipsed for the greater glorification of one Hans-Dietrich.

On this occasion, Genschler reminded Hurd that it was also the home town of that great composer, so beloved of the British, Georg Friedrich



Handel. Indeed, Handel had actually composed a hymn of honour to his home town, Genschler told Hurd.

It was only later as the two listened to a local church performance of Handel's Messiah that the pennine finally dropped, Genschler giggled. Understanding finally came to Hurd during the Halle-lujah chorus.

No answer

■ The director of The Spectator magazine was running a few minutes late when he arrived for Thursday's board meeting at the St James's headquarters of chairman Algy Cluff. But he was sure he would soon catch up.

The problem was the door was shut. And there was no sign of a bell that worked. Neither knocking on the door nor even shouting through the letterbox raised a response. As a last resort he turned to his car phone. That ought to get someone to the door. There was no answer. In the end Conrad Black, chairman of the Daily Telegraph, owner of The

local commanders supported by civilian business managers. Lower ranking officers are also likely to face Mr Clarke's scrutiny. The Police Federation has, for example, been accused of dragging its feet over measures to dismiss officers whose performance is poor.

To improve efficiency, police forces are developing similar internal audit procedures to other public authorities. In policing terms performance is more difficult to measure, but forces have begun trying to allocate resources in line with priorities determined by public opinion surveys.

West Mercia, a force which has restructured its management to give shorter lines of command, commissioned the Harris Research Centre to test public opinion. The results showed that while 85 per cent of respondents thought the police were doing a good job overall, 26 per cent were dissatisfied with the treatment of telephone callers and a similar proportion found police station reception areas off-putting.

In recent years, the biggest single step towards improving financial performance in the police service has been through the replacement of police officers with less expensive civilians in administrative, control and other non-front line. Since civilians do not have to be as broadly trained as police officers, they can be recruited more cheaply to perform specific tasks.

The relatively generous funding of the police service during the 1980s did not stop Mr Clarke's predecessors facing demands for yet more resources. It would, therefore, require political courage to tail a Police Federation conference that the days of generous spending increases for the service are now over. But whatever impression Mr Clarke makes on delegates, there is little doubt he will be trying to reduce the police budget.

A really brave Mr Clarke could always relate the story of New York's experience in the late 1970s, when a 30 per cent reduction in police department manpower had no impact on the rate at which crime rose.

The New York episode supports one of Mr Clarke's favourite themes from his health service days — that there is no automatic link between particular levels of resources and the effectiveness with which they are used. But the relationship between offending and deprivation, unemployment, schooling, and countless other aspects of social policy is a highly complex one. Neither the police nor Mr Clarke can solve those problems on their own.

Changes are necessary within the occupational pension scheme sector and I would welcome changes which increase the confidence of pension scheme members in the security of those arrangements which will see them well into old age. In spite of Maxwell and legislation, there are many schemes valiantly preserving final salary arrangements.

David A Rice, *personal manager and pension fund trustee, Tunnel Refiners, Thames Bank House, Tunnel Avenue, London SE10*

From Mr Lee Mallett. Sir, With reference to Norma Cohen's article "Reforms that err on the safe side" (May 9) on the recent National Association of Pension Funds conference, I believe that much stronger safeguards should be placed on pension funds, about whose performance it is very difficult, if not impossible, to obtain information.

There should be a further safeguard which parliament should consider — disclosure. The best way to see what is going on in a fund is to require public annual reports of performance which break down investments by sector — gilts, equities, property etc. Then we can all see what is being done with our money, and pick the fund of our choice.

Lee Mallett, *editor, Estate Times, Morgan-Grampian, 30 Calderwood Street, London SE18 6QH*

From I M Aitken. Sir, I was surprised to read your editorial "Reform of the pension funds", suggesting that the balance of advantage must to some degree shift from final salary schemes to money purchase arrangements. You seem to suggest the move, *prima facie*, to avoid the problems of surplus while, at the same time, acknowledging that it would impose extra investment risk on the member. This seems convoluted logic.

The pension provided by a money purchase scheme depends on the investment returns achieved during the contribution period up to retirement and the investment conditions prevailing at retirement. The employee is unable to plan his retirement as he is unable to quantify his pension.

On the other hand, many employers are aware of these shortcomings and consequently the vast majority of the larger pension schemes in the UK have been established on the footing of a pension

From Ms Sheila McKechie. Sir, Your leader ("More housing choice needed", May 13) is a timely reminder that the government's commitment to increasing home ownership through schemes such as rent-to-mortgages does not necessarily translate into greater housing choice for the individual.

High house prices have ruled out the possibility of home ownership for many. Renting is their only option and, while the private sector has a role to play in providing more homes, many people simply cannot afford to pay market rents.

You suggest tax incentives for landlords as one way to boost supply. However, these could lead to insecurity for tenants while encouraging rising house prices and so excluding more people from home ownership. There are more efficient ways of financing social housing that produce better value for money for the tax payer and more security for the tenant. These would involve changes in the public sector borrowing requirement rules in the way suggested by your columnist, John Willman. The government's antipathy to local authority management of rented housing could be met by introducing arm's length agencies or through further housing association growth.

The ever growing demand for affordable homes can only be met by a greater level of public investment in housing. Shelter has identified a need for an additional 100,000 affordable homes annually over the next five years. This could in part be done by redistributing Miras. This avenue has been ignored by politicians of the two main parties in the belief that it is akin to electoral sui-

Youth cult

■ Everyone knows that the average age of pension fund managers is falling, but Edinburgh's Ivory & Sime seems to be getting a wee bit carried away. According to Pension World's latest list, the median age of Ivory's pension fund managers is 10.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL.
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Appropriate safeguards and reforms for pensions

From Mr David A Rice.

Sir, As a personnel manager and pension fund trustee, I noted with interest your leader headed "Reform of the pension funds" (May 11). Increasingly, I think that schemes such as ours represent the silent majority of well-managed and well-funded occupational final salary schemes.

Ours is a relatively small scheme which has never found itself in the position of having to argue the ownership of surplus. In spite of this, we have successfully coped with the effect of the Barber judgment and the changes resulting from the Social Security Act 1990.

We have had no problems in recruiting the new members essential for the long-term stability of the scheme. Where others fail, one can only point to the finger at poor communication on the part of the corporate provider and misleading and optimistic misinformation of the private sector.

All the pension scheme trustees within Tunnel Refiners are also employees, potential beneficiaries of the scheme and capable of influencing the sponsoring employer. The recommendations of the recent Commons select committee report hold no fears for our scheme.

The judgment as to whether a scheme should be final salary or money purchase is one which must be made with reference to the age and service profile of the workforce if it is to be a benefit administrative convenience or otherwise has limited, or no bearing. What is appropriate for a software house is not appropriate for a factory with a mature and ageing population.

Changes are necessary within the occupational pension scheme sector and I would welcome changes which increase the confidence of pension scheme members in the security of those arrangements which will see them well into old age. In spite of Maxwell and legislation, there are many schemes valiantly preserving final salary arrangements.

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From Mr Simon Randall. Sir, I congratulate you on your thought-provoking leader, "More housing choice needed". Now is the time for a comprehensive review of housing policy and finance. In particular we need further to expand opportunities in the private rented sector and to encourage more private investment and greater involvement of major employers and financial institutions.

We also need to look at ways of improving and extending opportunities for shared ownership and equity sharing. Rents to mortgages is just one of a number of potential schemes. Home owners should be able to move in and out of part ownership as their circumstances dictate. This would certainly be preferable to the present level of repossessions and homelessness arising from mortgage arrears. The LBA has urged the government to encourage mortgage lenders to develop a more positive role in this field.

Increasing the opportunities for housing mobility is another area of concern. Each year

Employment training review must heed providers' views

From Mr Ian Roe.

In its comprehensive review of employment training ("Employment training faces review as criticism mounts", May 11), the Department of Employment ought to consult and take on board the view of training providers.

In any event, it should:

- have the courage to stop using training schemes in part to disguise the unemployment figures. The participants are unemployed and they know it;
- recognise that in employment training there have been real and substantial cuts in funding, an unrealistic and penalising re-contracting process, significant changes in paperwork administration and accountable bodies to name but some. Providers have been asked, as always, to do more with less and to deliver yesterday;
- release Training and Enterprise Councils from their bureaucratic and financial straitjacket — and develop three- to five-year flexible contracts so that the Tecs may do similarly with providers;
- admit that London Tecs are generally under-funded;

based on final salary. Such schemes are able to assume that the employee will retire with a pension which is a function of salary at or near to retirement for each year of service. Fluctuations in investment conditions do not concern the employee — he is assured of his pension. The employer is prepared, if necessary, to pay an additional "risk premium" to provide the investment safeguard and, in the good years, he accepts a "bonus" by way of a reduction in his contributions.

Final salary pension schemes have stood the test of time well and it would be a shame if they were now abandoned on account of the current esoteric talk regarding surplus.

I M Aitken, *R Watson & Sons, 11 Abercrombie Place, Edinburgh EH3 6LB*

From Mr Alan F Greene. Sir, For all the scoffing at the idea of a tax on fossil fuels, is there not a case for the UK to take unilateral action? Some £30bn switched from employers' National Insurance contributions to fuel is surely in line with the Conservative philosophy on indirect taxation and it might even reverse the trend in redundancies.

Alan F Greene, *32 Glen Road, Fleet, Hants GU13 9RQ*

From Mr Richard McManus. Sir, Reapportioning subsidy from owner occupiers to tenants is not the only way to widen choice in the housing market ("More housing choice needed", May 13).

Government could help prospective tenants select from a glut of vacant properties by establishing a computerised "clearing house". This would maximise choice by liaising with existing letting agents and estate agents.

Government would endorse the rental alternative, which has a bad name in Britain, without compromising free market principles or robbing loyal supporters.

In the longer term, institutional investors may be attracted to fund a private rental resurgence without additional tax subsidy; they would have evidence of the volume and location of rental demand and the net yields achievable.

Richard McManus, *director, First Europe, 44 Upham Park Road, London W4 1PG*

From Mr Richard McManus. Sir, Reapportioning subsidy from owner occupiers to tenants is not the only way to widen choice in the housing market ("More housing choice needed", May 13).

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Competition and interests of investors

From R A Morris.

Sir, In privatising the public utilities, the government aimed to introduce a competitive element into these monopoly industries and raise cash from investors. Now that the main utilities are in the private sector, one cannot help but feel that the aim of increasing competition has assumed a greater degree of importance than the interests of the investor.

This is most striking in the case of British Gas, where Ofgas and the Office of Fair Trading have a role in regulation and development of competition, by whatever means.

Surely the system of gas pricing could be conducted in a less aggressive fashion, without undermining the confidence of investors. This would give British Gas the opportunity to maximise its non-monopoly operations, especially those overseas, to the benefit of the company, shareholders and, indeed, the UK as a whole.

R A Morris, *managing director, Rathbone Brothers & Co, Port of Liverpool Building, Pier Head, Liverpool L3 1NW*

Bottlenecks avoided

From Mr Martin Thomas.

Sir, Your business air travel survey (May 11) omitted an important and topical issue. With the completion of the single market in Europe, there will be a growing need for point-to-point air travel, avoiding the bottlenecks of big airports. The UK has more than 350 licensed aerodromes from which private flights can be made, and France has some 1,000 (most of which are managed by the local Chambers of Commerce, which recognise the business importance of having an airport). A direct flight from the UK in a light aircraft is a convenient alternative for business journeys.

In the US, it is said that more business passenger miles are flown in light aircraft than on scheduled services, which takes much of the pressure off big airports.

This pattern is likely to develop in the European single market, with important consequences for airspace policy. If the UK persists in the folly of maintaining national customs and border controls after they are abandoned by other European countries in 1993, it shall damage its competitive position in Europe and miss an opportunity to reduce air and ground congestion.

Martin Thomas, *chairman, Proxis, 30 Manners Street, Bath BA1 1PX*

A tax on fossil fuels

From Mr Alan F Greene.

Sir, For all the scoffing at the idea of a tax on fossil fuels, is there not a case for the UK to take unilateral action? Some £30bn switched from employers' National Insurance contributions to fuel is surely in line with the Conservative philosophy on indirect taxation and it might even reverse the trend in redundancies.

Alan F Greene, *32 Glen Road, Fleet, Hants GU13 9RQ*

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Poll lead gives hope to independent presidential hopeful

Perot promises voters action, not words, in Washington

By Jurek Martin in Washington

MR ROSS PEROT, buoyed by the first national opinion poll to put him ahead in the race for the presidency, said yesterday that "grassroots America" was less interested in his stand on various issues than in his promise "to take out the trash and clear out the barn" in Washington.

Mr Perot brandished a large shovel emblazoned with the American flag to prove his point in the course of an extraordinary breakfast television interview. He said he would formally declare his independent candidacy "whenever the time feels right".

The Texas businessman's surge in the polls has clearly shaken the campaigns of both the Republican and Democratic candidates. The latest Time-CNN poll gave him 33 per cent against 28 per cent for President George Bush and 24 per cent for Governor Bill Clinton of Arkansas.

Mr Perot was sufficiently emboldened to break what was to have been a 60-day purdah devoted to honing up on policy issues. Asked if that time had been well spent to date, he responded in a way that goes to the heart of his appeal.

"Well, it's interesting. As soon as I said that I was going to spend some time, the phone banks went crazy. The volunteers said: 'We're not interested in positions. Everybody has detailed positions. Nobody implements them.'"

"Then the next wave I got from

informed people, kind of close to the [Washington, DC] Beltway, says: 'Perot, there are good positions all over the place. You don't need to create new ones.' So I started reading the positions that exist. They've got an interesting point. There are great ideas that could fix most of the problems our country faces."

"Everybody sits around and talks about them. Nobody does anything about them. So getting the good positions is not the problem. Taking action in Washington is apparently an unnatural event. But that's what the people want. If they put me there, that's what we'll do. We'll have action."

In another interview yesterday, Mr Perot laid in to Mr Bush for his earlier support of President Saddam Hussein of Iraq. "My position is, if you don't like guys like Saddam Hussein - and obviously the president didn't in the end - don't spend 10 years and billions of dollars creating him."

Vice-president and President Bush made Saddam Hussein what he is today."

Both the Bush and Clinton campaigns hope the Perot bubble will somehow burst of its own accord, or be punctured by media scrutiny. Neither candidate has yet worked out a way to attack Mr Perot. Both suffer from the difficulty that national interest in the remaining primaries, in which Mr Perot is not participating, has declined with the respective party nominations assured. The public already seems to be



Ross Perot: taking up positions

looking ahead to the election proper in the autumn.

The president, additionally, has made little impression in his many public appearances since the Los Angeles riots. This is partly because his messages have been tailored to different audiences and lacked coherence, and partly because, after a brief truce, all the old political divisions are resurfacing in Washington about how to deal with inner city deprivation.

At the weekend for example, the Republican right wing, in the person of Congressman Newt

Gingrich of Georgia, objected to the passing of federal emergency funds for disbursement by big city, mostly Democratic, mayors.

The city lobby, led by the mayors who organised a march in Washington over the weekend, are now vigorously complaining that the administration relief programme is hopelessly insufficient. Mr Ray Flynn, the mayor of Boston, said the US should not spend "five cents" assisting the former Soviet Union while the cities were suffering.

Who might be No 2, Page 4

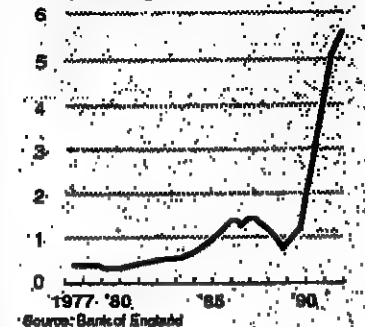
House view at the Bank

THE LEX COLUMN

FT-SE Index: 2703.6 (-21)

Home repossessions

As a percentage of housing turnover



are technical reasons why increasing interest rates would make the problem worse, the Bundesbank would surely suffer a serious loss of credibility if it eased while money growth was nearly twice the target ceiling. Besides, if its worry about the wage round has diminished, it still has to keep up pressure on the government to curb the budget deficit. Money may soon start to move out of cash in anticipation of an eventual rate cut, but equities are unlikely to maintain the pace set by yesterday's 3 per cent rise of the DAX index.

Whitbread

Whitbread's 24 per cent drop in profits may partly reflect the concentration of its business in recession-bound south-east England. That does not automatically mean, however, that it is particularly well positioned to take advantage of recovery. With a beer market share of just over 13 per cent, it is hardly a top league player: even the much-vaunted Boddington brand still only accounts for about 10 per cent of its beer business. Moreover, the government's insistence on a reduction in its pub estate has led it into lease arrangements which seem bound to reduce the price it obtains for beer.

Granted, Whitbread is not the only brewer grappling with this problem, but even in a recovery, there is no guarantee that beer will generate the cash needed to support the company's unwieldy collection of retail businesses. The only real justification for Whitbread staying in hotels is that it would currently be too expensive to exit. It may now be the largest off-l-

cence retailer in the UK, but this is a low-margin activity whose growth potential must be in doubt.

It would help if Whitbread had more of an international dimension, but its decision to abandon the European Pizza Hut franchise suggests it has turned its back on this priority. Perhaps the strategic direction will be redefined after Sir Michael Angus takes over as chairman this summer. In the meantime there is little reason for the shares to outperform, although they are underpinned by a gross yield of nearly 5 per cent.

Total

At first sight, the French government's decision to reduce its stake in Total looks curious. The world market for oil assets is severely depressed, European refining margins are weak and Total's first-half results are expected to be poor. All the same, its shares have performed well in recent years, supported lately by overseas demand on hopes for the Cusiana field in Colombia.

Like the recent sale of 2.3 per cent of Elf, selling most of the Total stake fits the policy of tying up holdings as part of a wider privatisation programme. Were it not for the group's complicated share structure, the sale might raise FF90m (\$900m). The more likely figure is nearer FF60m, which will scarcely ease the budget deficit.

Gas market

As Sir James McKinnon of Ogas was quick to point out, yesterday's launch of Alliance Gas marked a welcome development in the UK gas market. The joint venture between BP, Statoil and Norsk Hydro has its own gas field from the start. Most previous entrants have set up as intermediaries, aiming to profit from the enforced reduction to 40 per cent in the industrial market share of British Gas. Although they may make fast inroads initially, their profit represents an additional cost for users which they may ultimately be unwilling to bear.

In the short term, Alliance is well placed to buy supplies from British Gas. After 1996, the Norwegians will bring significant long-term supplies of their own to the table. Add in BP's marketing skills and the agreed venture with East Midlands Electricity, and Alliance should offer steady competition to the monopolist: hence the regulator's pleasure.

Swiss cabinet favours joining EC

By Ian Rodger in Zurich

THE SWISS government yesterday confronted the country's traditional isolationist tendencies head on, deciding to submit shortly a formal application to join the European Community.

Opposition among the public to the cabinet's decision is likely to be widespread and passionate once the full implications of membership become clear.

The decision has been taken

sooner than expected, spurred partly by a referendum result on Sunday which showed a majority in favour of Switzerland joining the International Monetary Fund and the World Bank.

However, the government could have difficulty persuading

a majority to vote for EC membership. Just six years ago three quarters of Swiss voters rejected a proposal that the country join the United Nations.

Recent opinion polls have indicated that a slim majority supports the idea of joining the EC, but about one third are undecided.

Swiss farmers would have to face sharply reduced subsidies, small merchants and professionals would be exposed to open competition and the country would have to put up with an unrestricted inflow of workers and property purchasers from other EC countries.

Subsidy levels on Swiss meat and dairy products are now two to three times EC levels, and

Swiss farmers demonstrate frequently to make clear their opposition to joining the EC or accepting any reduction in aid.

The decision to apply for EC membership reflects the eagerness of a majority in the federal cabinet that Switzerland negotiate entry alongside the other western European countries - Austria, Sweden, Norway and Finland - that have applied.

The EC's position on member countries retaining a neutral foreign policy will be worked out during these negotiations, and the Swiss government wanted to be a participant rather than be forced later to accept the result.

The move follows the federal cabinet's decision last October to abandon isolation and make EC

membership an official policy goal.

The decision was also influenced by the cabinet's concerns about the outcome of a plebiscite due in the next few months on the European Economic Area. This would bring together the seven countries of the European Free Trade Association, including Switzerland, and those of the EC.

The cabinet feared that if the EEA treaty was rejected, Switzerland could not then immediately apply for EC membership. However, if it applied in advance of the EEA referendum, it could then claim the two were unrelated and simply carry on with EC entry negotiations.

Maastricht's minor role, Page 18

O&Y cash troubles threaten London Underground project

By David Owen and Robert Pearson in London

THE UK government yesterday toughened its stance over the extension of the London Underground's Jubilee Line to the Canary Wharf office development in the city's docklands, saying that construction would not begin until the £400m (\$708m) cash contribution pledged by Olympia & York had been secured.

However, bankers to O&Y, the property company which last week filed for protection from its creditors in the US and Canada, said they could not make a decision on providing the money until they had assessed Canary Wharf's long-term prospects, which will take another few days.

Meanwhile, Mr John MacGregor, transport secretary, told MPs in parliament that he saw "no prospect" of his authorising construction "until and unless" the O&Y contribution was assured. The government's plans had proceeded on the basis that O&Y had pledged £400m cash.

"We are looking to Olympia & York to honour that understanding before I can give London

Underground approval to start construction," Mr MacGregor added. The government had given £1.6bn towards the 10-mile extension, which was to have been finished by 1996.

Meanwhile, Mr David Blunkett, UK opposition local government spokesman, plans on Wednesday to call for two separate parliamentary inquiries into issues arising from the O&Y affair.

Mr MacGregor's comments followed indications from the UK government that it wanted an answer soon from creditor banks of Canary Wharf, on whether they would provide the £400m.

Bankers say they would be happy to discuss the issue with Mr MacGregor. But they cannot tell him whether they will provide the funds until they have received a detailed assessment, carried out by some bankers in conjunction with accountants Ernst & Young and surveyors Hillier Parker, of Canary Wharf's long term commercial prospects, which is due mid-week.

If the bankers then put Canary Wharf into receivership or liquidation, they would not provide the Jubilee funds. If the project is kept as a going concern - or

even possibly if it is put into administration under UK insolvency legislation - bankers might still provide the £400m.

According to UK government ministers, London Regional Transport would be unable to maintain beyond July the £1.6m a month project team now working on the extension, without a definite go-ahead.

Meanwhile, holders of £548m in Eurobonds, whose security is O&Y's New York office building at 55 Water Street, are meeting O&Y today to discuss whether it has sufficient funds to refurbish the property.

The bondholders are concerned that without refurbishment their future interest payments would be in doubt, as the building would be difficult to let.

O&Y believes that the bondholders cannot foreclose on the building because interest payments are still being made. Although O&Y has filed for protection from many of its creditors in the US and Canada, most US properties, including 55 Water Street, are unaffected by the filings.

Observer, Page 17

Pay deal boosts D-Mark

Continued from Page 1

price spiral" in Germany. He hoped the Bundesbank would take the same view and consider relaxing monetary policy.

The Bundesbank itself was relatively sanguine. Mr Otmar Issing, the Bundesbank directorate member responsible for economics, said in London that the deal was "a step in the right direction".

Although wages were still rising by more than the country could afford, Mr Issing argued that a settlement in the region of 5.5 per cent was in line with mainstream wage-rise forecasts at the beginning of the year.

Others were less convinced that the deal - which would give an average rise of 4.8 per cent over 21 months if a previously agreed reduction in the working week is taken into account - was so positive.

Brokers in equity markets agreed that investors are unlikely to become enthusiastic buyers until there are clear signs that the Bundesbank has decided to cut interest rates again. The wage settlement is only one factor influencing this decision.

MORSE

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	°C	°F		°C	°F		°C	°F		°C	°F
Algeria	23	73	Brussels	17	63	Geneva	21	70	Madrid	15	59
Amsterdam	21	70	Cairo	24	75	London	16	61	Moscow	10	50
Athens	25	77	Chicago	17	63	Manchester	16	61	New York	10	50
Bahia	30	86	Cologne	17	63	Paris	16	61	Rome	15	59
Bangkok	30	86	Dublin	17	63	Seville	15	59	St Petersburg	10	50
Barcelona	23	73	Edinburgh	14	57	Singapore	30	86	Tokyo	15	59
Berlin	17	63	Faro	20	68	Sofia	15	59	Toronto	10	50
Bombay	29	84	Geneva	17	63	Stockholm	15	59	Winnipeg	10	50
Buenos Aires	25	77	Havana	24	75	Switzerland	15	59			
			Los Angeles	18	64						
			Luxembourg	17	63						
			Madrid	20	68						
			Manila	28	82						

INTERNATIONAL COMPANIES AND FINANCE

Whitbread tumbles 24% but hoists year's payout

By Philip Rawston in London

WHITBREAD'S pre-tax profits last year slid 24 per cent to £221.1m (\$397.55m) as the UK brewing and retail group was exposed to the full blast of the recession in south-eastern England.

More than half the fall in profits - Whitbread's first since 1976 - was accounted for by a £37m exceptional charge against bad and doubtful debts among the group's free-trade loans.

Trading profit during the year to February 29 was 7 per cent lower at £227.7m on turnover up 6 per cent to £2.19bn. An extraordinary charge of £32.6m includes the disposal of the European Pizza Hut operations.

Earnings per share fell 24 per cent to 35.7p.

A final dividend of 12.4p, against 12p a year earlier, lifts the full year payment 4 per cent to 16.95p.

Mr Peter Jarvis, chief executive, said yesterday the group's trading performance had been stronger than the results indicated.

Trading performance in the past two months had been satisfactory, he said. There had been no recovery yet in restaurants and hotels but managed pub business was ahead of last year.

"I am very optimistic about our prospects when consumer confidence returns," Mr Jarvis added.

Whitbread's beer division slightly increased its share of the total beer market to 18.2 per cent. Operating profits rose 2 per cent to £27.6m on turnover up 4 per cent ahead at £889.4m.

Sales of Boddingtons bitter have doubled since the group acquired the brand in 1989 while Murphy's Irish stout achieved retail sales of £70m in its second year of national distribution.

Reorganisation of the tenanted pub estate, including the sale of 500 pubs, led to a 3 per cent decline in profits to £83.9m on turnover of £241.3m, 12 per cent lower.

Almost 1,500 tenanted pubs have now been converted to 20-year tied leases with average rent increases of between 40 per cent and 50 per cent.

Profits from managed retail operations fell 8 per cent to £119.9m on turnover that increased from £1.24bn to £1.38bn.

Beefeater outlets boosted profits 18 per cent.

Lex. Page 18

Ares-Serono jumps 25% on increased drug sales

By Ian Rodger in Zurich

ARES-SERONO, the leader in human fertility drugs, said its net income from operations in the first quarter jumped 25 per cent to \$16.6m, with pharmaceutical sales particularly strong in the US, Germany, France and Japan.

Sales gained 15.5 per cent to \$198m and operating income was up 18.3 per cent to \$38.1m. Net income after the extraordinary gain on the sale of the group's over-the-counter division to American Home Products in March was \$44.7m, or \$82.20 per share, compared with \$13.5m, or \$24.76.

EMS Chemie, the Swiss specialty chemicals group, said its net income jumped 20 per cent to Sfr28.9m (\$19m) in the first four months of 1992, thanks largely to cost cutting. A rise in sales of 19 per cent to Sfr630m reflected the acquisition of the Swedish automotive chemical group Dinol at the end of 1991 and a weak performance in the comparative period due to the Gulf war.

The directors said their original forecast for the year of at least 10 per cent sales growth and solid profit margins still seemed realistic.

Using family ties to take on IBM

Collaboration between Fujitsu and its global "family" of associate companies is intensifying as Japan's leading computer manufacturer seeks to revive profitability and stave off International Business Machines (IBM) for leadership of the worldwide computer business.

The list of projects includes a development with ICL which could lead to the UK company challenging IBM's mainframe superiority; research into computers which recognise handwriting with the US-based company Poquet; and developments in computer communications with Amdahl, the US-based large computer supplier.

Fujitsu, like other Japanese mainframe computer-makers, has seen a steep decline in profitability this year as Japanese banks and securities houses, traditionally heavy spenders on large computer systems, cut back on orders and information technology investment.

Mr Toshio Hiraguri, managing director of Fujitsu Ltd., which has responsibility for all Fujitsu's computer families, said the Japanese market was also being affected by the structural changes which were



Toshio Hiraguri

damaging profitability among western computer manufacturers. Customers, he said, were moving to common standards and smaller, less expensive computers, a phenomenon known as "down-sizing".

Mr Hiraguri said Fujitsu was keen to increase the share of revenues coming from software and services compared with hardware.

It is determined to develop software products which can be used on Fujitsu computers and those of its competitors. An example was "Graphic-

Alan Cane on the developing relationship between Fujitsu and ICL, one of its global network of associates, as they battle flagging profitability and market changes

spower" software which makes writing particular kinds of programs easier, and which was developed jointly by Fujitsu's artificial intelligence centre in Kawasaki and an ICL group in Dublin.

Technological links between Fujitsu and ICL, which began in the early 1980s, are now being cemented by exchange of research staff between London and Tokyo, and frequent video conferences. Mr Hiraguri confirmed that ICL engineers were helping Fujitsu to design fibre optic communications systems

to be incorporated into the company's large mainframe computers, which operate in the same way as IBM's large systems.

He said, however, that the system could also be incorporated into ICL's mainframes - which are not compatible with IBM's - making it possible for them to act as the heart of an IBM data processing system. Such a development would give ICL new credibility among companies which use IBM hardware exclusively.

Business links between the two companies have also been strengthened through a reorganisation this year which placed parts of Fujitsu's operations in the US and Europe under ICL's control. In the US, for example, where both ICL and Fujitsu market systems for the retail trade, a single company under ICL management has been formed.

Not all Fujitsu's overseas investments have proved instantly successful. Poquet developed a pocket-sized computer compatible with IBM's personal computer, but manufacturing and technical glitches meant weak sales. An improved version, which can recognise handwritten characters, is expected to do better.

Mannesmann profits fall further

By Andrew Fisher in Frankfurt

MANNESMANN, the German engineering, motor components and steel tubes group, suffered a further fall in profits in the first quarter of 1992, mainly as a result of high start-up costs for its mobile telephone operator.

It gave no profit figure for the period, which saw turnover rise by 25 per cent to DM6.1bn (\$3.7bn) and new orders by 36

per cent to DM3.1bn. Foreign business, including exports and sales by subsidiaries abroad, was 18 per cent up at DM3.3bn.

The company said profits in its machinery and industrial plant divisions were also burdened by the weakness of the economy and increasing pressure on prices for standard products. The steel tube business was stable, however.

The Brazilian subsidiary

showed an improvement after last year's losses, while motor components - including VDO and Boge for the first time - performed more favourably.

Last year, the group's net profits fell 48 per cent to DM263m. Mr Werner Dieter, the chief executive, has said he is "not pessimistic" about this year, despite the shaky start. Mannesmann's new D2 cellular telephones business is due to start this summer.

Lafarge sees modest development

By Peter Bruce in Madrid

LAFARGE Coppée, the French building materials group, expects to continue to rein in investments in 1992, according to Mr Bertrand Collomb, the chairman, Reuter reports from Paris.

He said the group anticipates that its net debt will grow modestly this year. The company can finance development without turning to the banks for new equity capital.

Mr Collomb said that the group had set itself a goal of "a more modest pace of development" than in recent years...without sacrificing expansion.

German insurer pays extra DM5 dividend

AACHENER und Muenchener Versicherung, the non-life arm of German insurance group Aachener und Muenchener Betreibungen, said it would pay a DM5 dividend in addition to an unchanged DM10 dividend on 1991 results, Reuter reports from Frankfurt.

AMV said that the company wanted to reward shareholders from extraordinary income it received in 1991 linked to the sale of its Baden shares package to the parent.

Ciments Français offer

By Peter Bruce in Madrid

CIMENTES Français, the French cement producer, said yesterday it was offering Ptas4,587 a share for the remaining 22 per cent of Cementos Rezola, the biggest producer in Spain's Basque Country, which it does not already control.

The offer would cost Ciments Français some \$44m, and has been set at a premium of 93 per cent of Rezola's current share price.

Ciments Français has already said it plans to delist Rezola once it gains full con-

trol. The Basque producer will probably be absorbed into Ciments Français' larger Spanish affiliate, Financiera y Minera, one of Spain's biggest cement producers.

The Ciments Français offer comes just a few days after Corporación Banesto, the industrial arm of the Banesto banking group, offered a premium of 32 per cent to buy out and delist Sanson, another cement producer from northern Spain.

Analysts say the moves reflect further consolidation in the Spanish cement sector.

Plastow to become Inchcape chairman

By Jane Fuller in London

SIR DAVID PLASTOW is to become chairman of Inchcape, the motor and business services group, after his retirement from Vickers, the engineering group that includes Rolls-Royce Motor Cars.

Sir David has just reached 60 and retires as chairman and chief executive of Vickers at the end of this month. He begins in September at Inchcape, an international distributor of cars, consumer goods and business machines and a provider of services such as insurance and shipping.

He is leaving Vickers at a difficult time. The company made a pre-tax loss last year, the dividend was cut, and many jobs were shed. It also remains unclear whether Rolls-Royce will be kept or sold, after surviving Sir Ron

Brierley's attempt to demerge it two years ago.

Sir David's decision to retire at 60 was taken in 1983. His successors - Sir Colin Chandler as chief executive and Sir Richard Lloyd as non-executive chairman - were named more than a year ago.

The chairmanship of Inchcape is the latest and most important of a series of board appointments prepared during the past year in addition to his role as joint deputy chairman of Guinness, the drinks group. These include the deputy chairmanship of TSB Group and a directorship at Cable and Wireless, the telecoms group.

Sir David will be based at Inchcape's head office in St James's, London. His role will include overseeing the board and communicating with shareholders. Observer, Page 17

COMPANY NEWS IN BRIEF State-run utilities in link

ELECTRICITE de France plans to tighten links with the Spanish state-run utility Empresa Nacional de Electricidad (Endesa) but a share swap is out of the question, according to Mr Pierre Delaporte, EDF chairman, AP-DJ reports from Madrid.

Mr Delaporte said the state-owned EDF had signed an agreement with Endesa to collaborate in coal production centres in the Spanish towns of Puertollano and Teruel.

Endesa, meanwhile, would contribute to the operations at EDF's nuclear energy plant in Civeaux. However, the chairman denied speculation that a share swap took place. Endesa and EDF are also discussing making a joint bid in the privatisation of the Argentine energy distributor Servicios Electricos del Gran Buenos Aires (Segba).

Telefonica, Spain's state-run telecommunications monopoly, announced yesterday that net profit rose 12.9 per cent to Ptas119.6m (\$119.6m) in the first quarter of 1992, Reuter reports from Madrid. Telefonica attributed the rise to efforts to contain costs and to a strong increase in operating income.

Wella, the German haircare and cosmetics group, saw a sharper rise in net profit than in sales in 1991, but it remained a long way from its stated goal of a 4 per cent return on turnover, Reuter reports from Darmstadt.

The company said its group net profit had risen 7.2 per cent to DM81.7m (\$49.6m) while sales had gained 5.6 per cent to DM2.71bn. This made the return on sales just above 3 per cent.

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Data source: Chief Executives in Europe 1990
FT SURVEYS

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Key Data			
In Sfr. m	1990	1991	% Change
Net Revenues	60.5	66.5	10
Cash Flow	16.4	18.4	12
Net Income	12.8	14.1	10
Dividends	7.2	7.2	—
Total Assets	359.5	387.0	8
Capital and Reserves	103.1	109.7	6
Staff	239	221	-8

The Bank's operational results for fiscal 1991 were up by roughly 10% over the previous year. Although revenues fell short of projections, our situation improved as regards operating expenses and client assets. Total deposits grew by over 15%, chiefly fueled by good

portfolio performance. Allowing for the further reduction in our staff, aggregate client assets per employee rose 25%. This enhanced efficiency is obviously the fruit of our relentless efforts to rationalise, as well as of the capital spending we have undertaken for this purpose in recent years.

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Notice of Interest Rates
To the Holders of

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NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from May 15, 1992 to November 16, 1992 are detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
USD Discount Series C 4.82813 Pct. P.A.	USD	24.81 Per USD \$1,000	November 16, 1992
CAN Discount Series 7.29167 Pct. P.A.	CAN	37.47 Per CAN 1,000	November 16, 1992

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INTERNATIONAL COMPANIES AND FINANCE

Japanese company results reflect the country's economic downturn

Sony subsidiaries post profit declines for year

By Emiko Terazono
in Tokyo

SONY Music Entertainment, the music arm of the Sony group, saw unconsolidated pre-tax profits fall just over 3 per cent to ¥16bn (\$123m) for the fiscal year to March because of the costs of its new listing on the second section of the Tokyo Stock Exchange.

Investors were pleased that the drop in earnings was limited to 3 per cent and bid up the price of Sony Music shares by ¥130 to ¥4,830 yesterday. The company, which last year signed a contract with pop star Michael Jackson recorded an after-tax profit decline of 8.8 per cent to ¥5.5bn.

But the company saw a strong 10.9 per cent rise in sales to ¥92.9bn, thanks to a 13 per cent increase at its domestic record division to ¥53.3bn, and a 16 per cent advance at its international record division to ¥12.3bn.

For the year to March 1993, Sony Music expects a 3.8 per cent increase in sales to ¥96.4bn and a 32.9 per cent rise in pre-tax profits to ¥21.4bn.

Sony Chemicals, the videotape manufacturing affiliate, suffered a sharp fall in earnings due to sluggish demand from the electronics industry.

The company posted a 22.4 per cent decline in pre-tax profits to ¥3.1bn on a 5.4 per cent fall in sales to ¥36.1bn. After-

tax profits fell 21.8 per cent to ¥1.6bn. Sales of magnetic videotapes, the company's mainstay, fell 13.8 per cent to ¥16.5bn.

Bonding materials, such as industrial glues and tapes, fell 5.9 per cent to ¥8.5bn due to the slowdown in the electrical and construction industries. Sales of electrical parts grew 20.6 per cent to ¥7.3bn, thanks to increasing demand for camcorders and compact disc players.

For the current year Sony Chemicals expects a slow recovery in demand due to sluggish capital spending by companies. The company forecasts a 4.2 per cent fall in pre-tax profits to ¥3bn on a 7.3 per cent rise in sales to ¥38.7bn.

Taiyo Fishery reduces deficit

By Robert Thomson in Tokyo

TAIYO Fishery, the Japanese fishing company attempting to transform itself into a general food producer, reported a pre-tax loss of ¥3.6bn (\$27.6m) for the year to the end of March, reduced from a ¥6.1bn loss in fiscal 1990.

The company said streamlining its trawler operations led to a 3 per cent fall in sales to ¥526.9bn, but the success of its restructuring programme would create a pre-tax profit of ¥1bn in the current year on sales virtually unchanged at ¥526bn.

Mainline fish products fell from 57.1 per cent to 54.1 per cent of total sales, but sales from other types of processed foods rose from 8 per cent to only 9.4 per cent of the total, reflecting tough competition in the Japanese food industry.

The company said the downturn in the Japanese economy had affected sales, although consumer demand for daily goods, including fresh and processed foods, had remained healthy, with a 4.8 per cent increase in chain store sales last year.

Taiyo said capital spending for the current year would fall to ¥4.1bn from ¥5.3bn, and the company revised forecasts for consolidated returns, with a pre-tax loss now expected to be ¥2.6bn, up from ¥1.5bn.

Chemical maker tumbles 53.4%

By Neil Weinberg in Tokyo

MITSUBISHI Kasei, Japan's leading chemical maker, unveiled a 53.4 per cent plunge in pre-tax profit to ¥13.3bn (\$102m) and a 5.6 per cent drop in sales to ¥727.2bn for the year to March 1992.

Net profit also fell sharply, by 71.2 per cent to ¥5.3bn.

The weak performance was the result of falling demand for petrochemicals and coke in the car, electric machinery, steel and other industries as the domestic economy slowed.

Sales of coke fell on weak domestic and overseas demand and the phasing out of the fuel by steelmakers as they introduce more sophisticated furnaces, Mitsubishi Kasei added.

Demand for carbon black used with rubber remained steady, but synthetic rubber sales fell, while turnover of ammonia products increased.

Overall, petrochemical sales were down 9.5 per cent to ¥271.6bn and carbon products 7.5 per cent to ¥203bn. The company's export sales slipped 0.5 per cent to ¥89.4bn,

accounting for 12.2 per cent of the total.

Mitsubishi Kasei reduced cash and savings deposits 22 per cent to ¥71.6bn, while short-term borrowings shot up from ¥190m to ¥6.6bn. The value of its securities portfolio declined 8 per cent to ¥89.9bn.

Mitsubishi Kasei expects sales to decline marginally for the year to March 1993 to ¥770bn. Although pre-tax profits are seen gaining 5.4 per cent to ¥14bn, net profits are forecast to fall 68 per cent to ¥7bn.

Mitsui Fudosan hit by slump

By Emiko Terazono

MITSUI Fudosan, Japan's leading real estate company, revealed that non-consolidated pre-tax profits for the year ended March declined for the first time in 18 years.

The real estate slump has hurt the company severely, and its pre-tax profits fell 19.4 per cent to ¥46.2bn (\$354m). However, overall revenue rose 19.4 per cent to ¥881.2bn.

After-tax profit edged down 1.1 per cent to ¥29bn. Mitsui blamed the poor earnings on increased construction costs

and heavier interest burdens. Interest payments surged 22 per cent due to growing debts.

A sharp increase in advertising in a bid to counteract the sluggish property market conditions also hit the company. Mitsui also faces a new tax burden of ¥7bn, due to the introduction of the new land holding tax in January.

For the current year, Mitsui forecasts a 13.5 per cent fall in pre-tax profits to ¥40bn on revenue of ¥900bn.

● Fujita Corp, a leading Tokyo redeveloper, reported gains of 20 per cent in pre-tax

profits to ¥43.5bn and 5.2 per cent in net profits to ¥17.1bn for the year to end-March, writes Neil Weinberg. Sales advanced 10.2 per cent to ¥820.4bn.

Fujita noted a rise in public works related orders in contrast to a sharp drop in housing activity and weakness in the construction industry.

Fujita projects sales will rise 10 per cent to ¥900bn in the year to March 1993. Pre-tax profits are seen dipping to ¥43.5bn while net profits are expected to rise 8 per cent to ¥17.6bn.

Sumitomo Realty suffers setback

By Emiko Terazono

SUMITOMO Realty and Development, the Japanese real estate developer, yesterday reported a steep decline in non-consolidated pre-tax profits for the fiscal year ended March.

The fall was due to sharp increases in interest payments and appraisal losses on its securities holdings.

Pre-tax profits plunged 30.6

per cent to ¥26.2bn (\$193.5m), despite a 19.3 per cent increase in sales to ¥233.3bn and a 24.7 per cent rise in operating profits to ¥66bn. After-tax profits fell 0.4 per cent to ¥19.6bn.

Sumitomo's non-operating deficit grew 2.5 times to ¥40.8bn due to a 25.2 per cent fall in interest and dividends received and a 20.5 per cent increase in interest payments to ¥41.2bn. The company booked ¥11.4bn in latent losses

on its securities holdings.

Short-term borrowings grew by 13.3 per cent to ¥410bn while long-term borrowings surged by 3.1 times to ¥47.4bn. Sumitomo plans to procure fresh funds of more than ¥100bn through bank borrowings and corporate bond issues.

For the year to March 1993, the company expects pre-tax profits to decline 18.8 per cent to ¥20.5bn on a 7.5 per cent rise in sales to ¥240bn.

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("ESFH")

(a Société Anonyme incorporated and registered under Luxembourg law)

CHAIRMAN'S STATEMENT

"The company had successfully achieved its main objectives for 1991 which were the integration of Companhia de Seguros Transatlântica in the ESFH group and the acquisition of a very important position in the share capital of Banco Espírito Santo e Comercial de Lisboa. The results show that this considerable effort has resulted in the strengthening of ESFH's financial situation and a substantial increase in its total assets and profits. ESFH looks forward to restructuring its commercial banking network and to develop a greater use of the synergies between its Portuguese and international operations. These are essential to ensure progress in profitability in an environment of increased banking competition and continuing economic development such as we are currently witnessing in Portugal."

Ricardo Espírito Santo Salgado, Chairman

ESPIRITO SANTO FINANCIAL HOLDING S.A. AND SUBSIDIARIES

Condensed Consolidated Statement of Operations and Retained Earnings for the Period ended December 31st, 1991	31 Dec 91 US \$'000s	31 Dec 90 US \$'000s
BANKING ACTIVITIES		
Interest income and income from securities and investments	1,538,557	644,872
Fees & other operating income	228,328	111,518
	1,766,885	756,390
Interest expense and other operating charges	999,800	600,130
General and administrative expenses and other charges	381,716	79,622
Provisions	56,154	21,408
	1,437,670	701,160
OPERATING INCOME FROM BANKING BUSINESS	329,215	55,230
INSURANCE ACTIVITIES		
Insurance premiums & other direct insurance income	285,502	-
Reinsurance accepted	254	-
Income from free assets & other operating income	27,134	-
	312,890	-
Insurance claims & other direct insurance expenses	220,851	-
Reinsurance ceded	19,286	-
Other operating expenses & General and administrative expenses	64,998	-
	305,135	-
OPERATING INCOME FROM INSURANCE BUSINESS	7,735	-
TOTAL OPERATING INCOME	336,970	55,230
Amortisation of goodwill	(11,500)	(3,216)
Translation gain (loss)	(1,081)	(1,784)
Other non-operating charge	(1,920)	3,440
Net income before taxation	322,469	53,670
Provision for taxation	(97,113)	(15,522)
Net income after taxation	225,356	38,148
Net charge attributable to minority interests	(189,593)	(12,587)
NET INCOME	35,763	25,561
TOTAL ASSETS	14,224,159	2,377,478
TOTAL LIABILITIES	13,293,183	1,804,557
TOTAL SHAREHOLDERS' EQUITY AND CONVERTIBLE BONDS	465,476	257,120

INTERNATIONAL COMPANIES AND FINANCE

NKK re-emphasises steel operation

By Robert Thomson in Tokyo

NKK, the Japanese steel company, yesterday announced a new long-term management plan that re-emphasised the importance of its core steel-making business, and conceded that new business areas would contribute less to profits than previously forecast.

The company also said it had agreed to a 50-50 joint venture with Bethlehem Steel of the US to produce treated sheets for the US construction industry.

The joint venture, formed through a US subsidiary of NKK, National Steel Corp

(NSC), is expected to have capital of around \$16m and to employ 85 workers.

Japanese steel producers have been concerned by a US industry plan to pursue an anti-dumping action against Japanese and other foreign companies, and it is hoped in Tokyo that the Bethlehem deal will ease tension between the two industries.

In 1988 NKK announced a long-term plan for the year 2000. At the time of the announcement, Japanese steel-makers were drafting restructurings designed to reduce their reliance on steel products and

increase new business activities.

These plans had been prompted by a sharp decline in national steel production, from 105m tonnes in 1985 to 98m tonnes in 1988. Demand then grew sharply in tandem with the rapid expansion of the Japanese economy in the late 1980s.

In the original plan, NKK expected new businesses would account for 25 per cent of annual sales by the year 2000, but that figure has been revised downward to 16 per cent.

Engineering business is

expected to account for 31 per cent of sales, up from the forecast 25 per cent; steel is expected to account for 53 per cent, up from 50 per cent.

Steel companies had predicted that urban development projects would be a prime source of income, but NKK has halved its expected earnings in that sector by the year 2000 to ¥100bn (\$746.2m).

Companies were planning to develop old factory sites and under-utilised land, but property development is no longer seen as a promising area of growth with the plunge in land prices.

Hewlett-Packard surges 40%

By Louise Kehoe in San Francisco

HEWLETT-Packard reported a 40 per cent rise in second-quarter earnings as the US computer and electronic equipment manufacturer continued to outperform competitors in key market segments, including printers, minicomputers and computer workstations.

Net earnings for the quarter were \$33m, or \$1.26 a share, up from \$23m, or 93 cents, in the second quarter of fiscal 1991. Earnings were at the high end of Wall Street estimates.

However, Hewlett-Packard's share price declined on the news, trading at 97 1/2 at midday yesterday, down from a close on Friday of \$77 1/2.

Net revenue totalled \$4.2bn.

up 12 per cent from \$3.7bn in the same period last year. US revenues grew 14 per cent to \$1.8bn, while those from overseas rose 11 per cent to \$2.4bn.

New orders booked during the quarter grew faster in the US, rising 16 per cent, while order growth from outside the US grew 8 per cent, for an overall growth of 11 per cent.

"We turned a reasonable revenue increase into outstanding profit growth, thanks to our on-going efforts to manage expenses," said Mr John Young, president and chief executive.

He described the company's 11 per cent growth in orders as a good achievement in light of generally sluggish economic conditions worldwide. He attributed this growth to "excellent

acceptance of the company's newer products".

For the six-month period, net earnings increased 44 per cent to \$63m, or \$2.49 a share, from \$43m, or \$1.76, in the first half of fiscal 1991.

Net revenue increased 13 per cent over the first half of 1991 to \$8bn, including \$3.4bn in US sales and \$4.6bn from outside the US.

Mr Young noted that the company's order growth in Europe had slowed, while orders in Japan had declined for the second consecutive quarter.

"We are concerned about the near-term because of uncertainty over the US recovery as well as sluggish conditions in some key economies," Mr Young said.

K mart and Federated move ahead

By Nikki Tait in New York

TWO large US retailers - K mart, the discount store chain, and Federated Department Stores, which operates 220 stores nationwide - yesterday reported modestly encouraging first-quarter figures, providing further evidence of brisker trading on Main Street.

K mart said that after-tax profits had risen 8.3 per cent to \$116m in the three months to April 29, although earnings per share slid from 27 cents to 24 cents. Total sales increased by 8.1 per cent to \$8.27bn.

On a "same-store" basis, K mart said there had been a 2.6 per cent increase, when November's acquisition of OfficeMax is excluded. Its specialty chains, which range from Waldbaums to the Face wholesale clubs, saw sales on a same-store basis rise by 7.9 per cent.

Mr Joseph Antonini, chairman, said the "colder-than-normal weather" had held back sales in the home improvements, gardening and clothing lines. However, he was encouraged by sales of "big ticket" items - suggesting some progress in the economy - and by the specialty stores generally.

Meanwhile, Federated Department Stores, which clambered out of bankruptcy earlier this year, posted an after-tax profit of \$11.8m in the three months to May 2, compared with a \$6.4m loss a year earlier. This is the first year since 1987 in which the group turned a profit in the first quarter.

Total sales from stores such as Bloomingdale's, Abraham & Straus and Bon Marche, were slightly lower at \$1.57bn against \$1.59bn, but same-store sales rose 4.4 per cent.

Federated acknowledged that promotions had helped first-quarter sales and warned that it expected comparable store sales to be lower, year-on-year, in the second quarter. However, the group also predicted a "significant comparable store sales improvement" for the full year.

In the specialty store sector, Toys "R" Us, the New Jersey-based toy retailer, saw after-tax profits improve from \$22.4m to \$28.3m.

Sales were up from \$1.02bn to \$1.17bn.

Its toy outlets in the US reported a 4.7 per cent increase in same-store sales.

Overseas, sales growth was strong in Europe, but Canada suffered from depressed economic conditions.

The Kids "R" Us clothing operation was also affected by "the difficult apparel sales environment".

Sun Micro launches workstations

By Louise Kehoe

SUN Microsystems aims to fend off mounting competition in the market for computer workstations with a new range of products, to be introduced today. The US computer company claims the new products will outperform all rivals.

Although Sun has maintained its lead in workstation sales, with over 25 per cent of the 99m world market, competitors including Hewlett-Packard and International Business Machines have been gaining ground with workstations that are significantly faster than Sun's products.

The new Sparcstation 10 represents Sun's response to these higher performance workstations. Two models, which Sun calls "mid-range" workstations, priced in the US at \$18,500 to \$35,000, will be available in the third quarter of this year.

These will offer performance of 86m to 96m instructions a second and, according to standard benchmarks, are comparable to similarly priced workstations from H-P and IBM.

Later this year Sun will begin shipments of two high-end multiprocessor models which outperform any workstations currently available, offering processing speeds of

200m to over 400m instructions a second.

However, its competitors are not standing still, and Sun's claim that it can offer "the world's fastest desktop workstation" is expected to be short-lived.

Competition among workstation manufacturers is intense. It is one of the few segments of the computer market that has continued to grow strongly in spite of economic recessions in leading markets.

The new Sun workstations will also provide users with a new way to merge computer and telecommunications networks into a single system.

Barnett Banks to merge with First Florida

By Robert Gibbons in Montreal

BARNETT Banks, in an effort to bolster its leading market position in Florida, plans to merge with First Florida Banks in a stock transaction valued at about \$885m, Bloomberg reports.

In the merger of Florida's two oldest banks, First Florida shareholders will receive 1.42 Barnett common shares for each First Florida share.

Barnett Banks, the 19th largest bank in the US with \$32.9bn in assets, operates 350 offices in Florida and 42 offices in neighbouring Georgia.

First Florida, based in Tampa, has about \$5.4bn in assets and operates 144 banking offices along Florida's west coast and throughout the central part of the state.

First Florida recently initiated steps to improve its balance sheet. Last October, it took a charge of about \$18m to cover loan losses and to write down bad real estate loans.

Power Corp of Canada seeks 'special situation'

By Robert Gibbons in Montreal

POWER Corp of Canada, the holding company of Montreal financier Mr Paul Desmarais, plans to invest in a "special situation" in North America by the year-end but still has not found a potential acquisition that meets its criteria.

Mr Desmarais said Power Corp and its financial services arm had between C\$2bn and C\$3bn available. The company sold two subsidiaries in 1989 and has almost no debt.

Also, Power Corp and the Frère Group of Belgium have 69 per cent voting control of the European holding company, Pargesa. It owns one of North America's biggest life insurance companies and Canada's biggest mutual fund distributor.

Power Corp earned C\$39.2m (\$33.9m), or 30 cents a share, in the first quarter, up from \$31.2m, or 23 cents a year earlier, on consolidated revenues of \$1.52bn, against \$1.56bn.

After Power Corp's annual meeting, Mr Desmarais said he would take a minority position in a healthy North American company needing new capital "as long as we can participate in management and can attain our target 15 per cent return on equity".

A large takeover was currently difficult because of the high level of the US stock market, he said, but Power Corp was concentrating on North America because Pargesa's growth can be self-financing.

Mr Desmarais said he preferred manufacturing, communications and financial services as target sectors.

A US\$432m takeover of International Corona of Vancouver by Homestake Mining has been delayed without explanation.

The US mining giant offered 0.35 of a Homestake share for each Corona share.

The merger would create a mining group with annual output of 1.8m ounces of gold a year.

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1991 was a successful year for the Trinkaus & Burkhardt Group. Progress was made in all business sectors. Total balance sheet footings of the Group increased by 10.8% to DM 9.35 billion. Both operating and partial operating results were clearly over the level of the previous year. Through very good interest income, satisfactory commission business and good results from own trading, both increased administration costs and considerable risk provisions were more than covered.

Shareholders in the parent company are to participate in these improved results by receiving a better dividend which increases from DM 9.00 to DM 10.00. Total dividends to be paid out will increase by 16% to DM 22 million. An additional DM 10 million will be transferred

Group Financial Statement 1991

Selected data	in DM m	Change from prev. year
Total volume	10,917	+ 7.0%
Total assets	9,350	+10.8%
Loan volume	7,064	+ 1.8%
Securities portfolio	1,760	+37.1%
Capital	517	+20.8%
Interest income	197	+38.9%
Commission income	125	+ 5.7%
Partial operating profit	121	+50.1%
Net profit for the year	41	+15.6%

from profits into reserves. Additionally, almost DM 9 million is being retained in subsidiaries.

At the end of 1991, the Bank's own funds are shown at DM 517 million compared with DM 428 million at 31 December 1990. This increased figure corresponds to 5.5% of the Group's total assets and 7.5% of the parent company's balance sheet. The capital base as defined in the Basic convention covers 12% of the Group's risk-bearing assets. The core capital accounts for 7%.

Through the qualification and commitment of our staff and our links with the Midland Bank Group we shall secure and improve a high level of traditional and innovative services and continue to justify the trust shown by our business partners and shareholders.



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German bunds advance as engineering dispute ends

By Simon London in London and Patrick Harverson in New York

GERMAN government bonds rose strongly through the morning session yesterday following the announcement of a 5.8 per cent pay settlement in the dispute between engineering employers and unions.

The benchmark 8 per cent Bund maturing 2002 closed at 100.25-34 for a yield of 7.96 per cent. On Friday the benchmark closed at around 99.97, where the yield was 8 per cent.

On Liffe, the London futures and options exchange, the June Bund futures contract opened at 87.41 but rose rapidly to hit a high of 87.69. Later in the day the contract settled to 87.61 and closed at around this level. Volume was heavy at 79,000 contracts.

While analysts were encouraged by the break-through in pay talks, which could avert damaging industrial action in key sectors of the German economy, economic data released later this week could dampen enthusiasm.

Producer price inflation data for April is expected this week and is believed to show only a slight slowdown in the annual rate of increase from 2.5 per cent in March.

The Bundesbank council holds a regular meeting on Thursday, at which it could decide to tighten monetary conditions.

However, most analysts thought it was unlikely the central bank would act ahead of the release of money supply data, which is scheduled for next week.

The Bundesbank's favoured monetary indicator is M3, a broad measure of money supply. In March, M3 grew at a year-on-year rate of 9.7 per cent, against a target range of 3.5 to 5.5 per cent. If money growth is higher in April, the Bundesbank may raise rates.

THE UK government bond market was swept higher by the buoyant mood in continental Europe and optimism over the outlook for UK inflation, following the release of better than anticipated retail prices data on Friday.

The June gilt futures contract on Liffe opened at 99.12, having broken the psychological important barrier at 99.00 Friday.

The contract rose to 99.16 during the day, the next significant resistance barrier according to analysts, before settling to 99.14 by the close of trading. Volume was sluggish at 24,000 contracts.

In the cash market, the benchmark 9 per cent long-dated gilt maturing 2011 closed at 100%, for a yield of 8.896 per cent, from an opening level of 100%.

With the market in a positive mood, the £350m new gilts launched on Friday were quickly exhausted. The bank sold stock in maturities ranging from 1994 to 2035.

Analysts attributed the positive tone to improved expectations on inflation following RPI data released on Friday which showed prices rising at a year on year rate of 4.3 per cent, better than anticipated.

The positive outlook on inflation was reflected in the money markets, where interbank rates remained below the 10 per cent base lending rate for the first time since rates were cut on May 5. Interbank funds from one month to one year were trading at around 10-9 1/4 per cent.

Tomorrow, the market will be watching retail sales figures for April, hoping for a post-election improvement in consumer spending.

Retail sales showed a year-

on-year fall of 3.7 per cent in March. In the run up to the election, analysts are hoping for positive annual growth of at least 2 per cent for last month.

US Treasury prices firmed slightly in quiet trading yesterday as investors turned their attention to today's meeting of the Federal Reserve's policy-making Open Market Committee.

In late trading the benchmark 30-year government bond was up 1/8 at 102 1/2, yielding 7.801 per cent. The two-year note was also firmer, up 1/8 at 100 1/2, to carry a yield of 5.050 per cent.

In the absence of fresh economic data, prices edged higher on hopes that the FOMC will authorise an easing of monetary policy. Analysts are divided as to the likelihood of another cut in interest rates. Last week's bigger-than-expected growth in money supply dampened expectations of an ease, but there are enough optimists in the market to keep prices on an upward bias until after the FOMC meeting.

If the Fed does agree to ease, observers believe it would act promptly, probably before tomorrow's two-year note auction.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week High	Month High
AUSTRALIA	10.000	10/02	105.2485	+0.475	6.18	8.44	8.71
BELGIUM	5.000	05/01	101.2000	+0.300	8.59	8.61	8.57
CANADA	5.500	04/02	100.0200	+0.400	5.50	8.58	8.70
DENMARK	5.000	11/00	101.4000	+0.150	6.95	8.58	8.60
FRANCE	8.000	03/97	98.0495	+0.113	8.73	8.69	8.76
GERMANY	8.000	01/02	100.2200	+0.250	8.53	8.57	8.53
ITALY	12.000	02/02	98.5000	+0.110	12.18	12.21	12.29
JAPAN	Mo 118	05/98	98.2000	+0.120	5.75	5.85	5.85
Mo 128	05/98	105.0169	+0.229	5.49	5.59	5.51	5.51
NETHERLANDS	5.250	03/02	99.4700	+0.240	8.52	8.30	8.25
SPAIN	11.300	01/02	102.7100	+0.240	10.63	10.58	10.45
UK GILT	10.000	11/96	103.01	+4.552	8.15	8.27	8.33
UK GILT	6.750	06/02	104.23	+7.752	6.03	6.15	6.14
US TREASURY	7.500	11/01	101.19	+4.432	7.27	7.38	7.42
US TREASURY	8.000	11/01	102.03	+3.322	7.81	7.89	7.92
ECU (French Govt)	8.250	03/02	98.5000	+0.370	8.26	8.30	8.28

London clearing, "New York clearing" Yield: Last market standard
T Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Private UK, UK in 32nds, other in decimals Technical details (ATLAS Price Source)

London closing, New York closing. Yields: Local market standard 1 Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents).

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Land write-downs put Prowling £17.7m in red

By Andrew Taylor,
Construction Correspondent

PROWLING yesterday became the latest UK housebuilder to announce large provisions against its land holdings due to sharply falling property values.

Mr Terry Roydon, chief executive, said that after a write-down of more than £22m the group incurred a pre-tax loss of £17.7m in the 12 months to the end of February.

This compares with a profit of £7.5m in the previous 12 months and was struck on turnover down from £40.8m to £36.4m. After all deductions losses per share came out at 18.8p compared with earnings of 6.9p in 1990-91.

Despite the setback the final dividend is being maintained at 3.2p, making a same again total of 6.4p.

Mr Roydon said that the company had decided to keep faith with shareholders on the grounds that the write-down in land values was a "one-off" and was unlikely to be repeated; there were signs that the housing market was starting to pick up and the group's financial position remained relatively strong.

He said that dividend payments were 80 per cent covered by earnings before taking account the large write-down on landholdings.

The average cost in Prowling's books of the 5,400 plots it owns with planning permission had fallen from £17,200 to just £13,000 as a result of the exceptional provisions. About 2,000 plots were acquired before 1986 at very low prices, said Mr Roydon, which would com-



Terry Roydon: keeping faith with shareholders

mand a good margin of profit as the housing market recovered and sites were developed. The company builds in the west Midlands and southern England, "everywhere south of Birmingham." It has been badly affected by the recession which has hit hardest in the south of the country. Last year the group sold 273 homes compared with 296 previously and a peak of 704 in 1988-89.

Average prices of the group's homes have tumbled during this period from £141,000 in 1988-89 to £103,000 last year.

Mr Roydon said the housing market remained very difficult but there were signs that sales were beginning to pick up. "During the first four months of this year we have sold about 10 per cent more homes than during the corre-

sponding period last year. Sales halted during the general election period but have picked up again since. The south-west of England market has seen the best improvement so far as our business is concerned."

COMMENT

The provisions announced yesterday by Prowling are much higher than the group needed to make. Even at current prices they leave room for a 25 per cent gross margin. The company's land bank is sufficient for more than a dozen years' production, even assuming the group achieves its sales target of 400 homes this year and still allows for some land sales to help reduce gearing from its current level of 59 per cent to about 40 per cent by the end of this year. A £8.5m tax rebate due in December will assist debt reduction. The company's long land bank, at cheap prices, makes it a classic housing recovery stock. The questions investors must ask themselves are: will the current upturn be sustained or will it peter out like it did last summer; and how much of the recovery potential is already reflected in Prowling's share price? A prospective pit in the early 30s on pre-tax profits this year of £2m suggests that the current price is rich enough at least until the first question is resolved more clearly.

Ian Maxwell sued in High Court for unspecified damages

By Richard Gourley

MR IAN MAXWELL, the son of the late publisher and director of the company that was supposed to have managed most of the Maxwell empire's pension funds, has been sued in the High Court.

The writ claiming unspecified damages was issued on May 8 by provisional liquidators of Bishopsgate Investment Management where more than half the £888m of pension money may have disappeared.

The action lists a series of transactions worth more than £400m where Mr Maxwell is accused by Robert Rhodes, the liquidators, of breaching his fiduciary duties as a director of BIM.

The new proceedings follow a similar writ brought last December against his brother, Mr Kevin Maxwell, in which the liquidators sought damages of £450m.

Mr Cooper said yesterday that about £40m of the pension fund money had either disappeared or had been wrongly transferred from BIM.

The black hole in the pension fund has more than 30,000 employees and pensioners in Mirror Group Newspapers and the private companies who until Mr Robert Maxwell's death last November had assumed their pensions were safe.

Some £250m are in the liquidator's hands although many of the underlying investments were highly illiquid, Mr Cooper said.

Unlike in the earlier case against his brother, Mr Ian Maxwell has not been required to surrender his passport nor have any of his assets been frozen as a result of the writ.

Robert Rhodes is currently trying to establish whether the liquidators on behalf of pensioners have a right to investigate the company's activities especially in the field of gas turbine maintenance, where it had joint ventures with a number of gas turbine manufacturers.

Standard Fireworks to be sold in £27m management buy-out

By Ian Hamilton Fazy,
Northern Correspondent

SCOTTISH Heritable Trust (SHT), which is under pressure from its bankers over its debts and commercial property portfolio, has sold its Standard Fireworks subsidiary in a management buy-out costing £27m.

The deal, if approved, will reduce SHT's gearing to below 200 per cent from 270 per cent last December.

Huddersfield-based Standard is Britain's last fireworks manufacturer and Europe's biggest, competing mainly against Chinese imports. It made profits of £2.7m on £16.7m sales last year, but SHT said yesterday it was "a seasonal business in spasms".

It has negative cash flow of £1.25m a month for much of the year, but an explosion of profit every November 5, when Britain celebrates the failure of Guy Fawkes' gunpowder plot to blow up the Houses of Parliament in 1605. In between, there are sales to events like fairs and carnivals, but these make little impact on the whole.

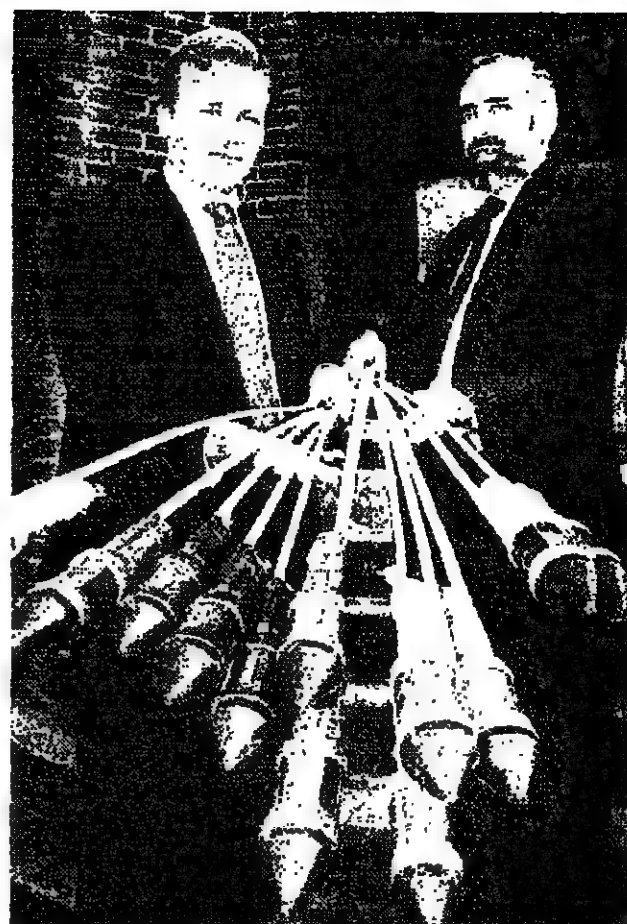
Even the structure of the buy-out reflected the "once-a-year" nature of the business. SHT is getting about £15.2m of value £12m for the business

and £3.2m repayment of inter-company debts but the purchasers have had to find another £12m for working capital to survive until the main November pay day.

SHT bought Standard from Yorkshire's Greenhough family in 1986, and then absorbed Brock, a principal competitor, soon afterwards. Mr Stuart Macdonald, SHT's finance director, said the sale to the management represented a profit of at least £10m on the costs of the original purchases, and £3.5m in terms of net asset values.

SHT brought in the management team, headed by Mr Mel Barker, in 1988. As pressures on SHT built, Mr Barker seized his chance, armed with £7.3m of equity and mezzanine loan capital from 31 and Prudential Venture Managers, and £19m of senior debt and banking facilities from the Bank of Scotland.

Armed with independence, Mr Barker plans an export drive, as well as consolidation of a growing UK market that seems to have been recession-proof. Standard has also established itself as a pacesetter for official standards in a highly regulated industry. This is helping to keep sub-standard imports out.



Stephen Ross (left) investment director of 31 and Mel Barker, managing director of Standard Fireworks

Mr Macdonald said SHT's borrowings would now fall by nearly £12m to £25m, based on last December's year-end figures, when Standard's net assets were worth £5.4m. SHT's

turnover would fall by 25 per cent but it would not have to cope with summer debts of the fireworks business. SHT shareholders' funds should rise to £18.8m.

John Wood surges to £16.9m

By James Buxton, Scottish Correspondent

JOHN WOOD Group, the privately-owned Aberdeen-based company, increased its pre-tax by 78 per cent, from £9.5m to £16.9m, in 1991.

The group is one of Britain's leading providers of oilfield services. It lifted sales by 44 per cent to £173.8m (£120.8m).

Mr Ian Wood, chairman, said that much of the larger turnover resulted from a greater volume of offshore servicing activities in the North Sea, where the group now operated on the basis of long term contracts with the major oil companies.

However, margins on those "partnering" arrangements were lower than in the days before long-term contracts became common.

The group was also strengthening its non-oil activities especially in the field of gas turbine maintenance, where it had joint ventures with a number of gas turbine manufacturers.

Mr Wood said the North Sea was entering a challenging phase as oil companies faced a squeeze on their profits because of the reduction in oil prices, while at the same time carrying out big refurbishment programmes to extend the life of their installations.

Some exploration and new field developments plans were being delayed.

In January, Wood placed £8.3m worth of convertible preference shares with 13 institutions, most of them Scottish.

That doubled the proportion of the group owned by institutions to 18 per cent, and reduced the stake of the Wood family to 78 per cent.

Mr Wood said yesterday that the group would not be interested in a public flotation for about four years.

However, he did rule out the possibility of obtaining a stock exchange listing through the acquisition of a quoted company.

Severance costs leave Mining & Allied lower

Mining & Allied Supplies, the power transmission group, suffered a setback in its first half but is looking for the year's profit to be in line with the £261,000 achieved in 1990-91.

In the six months ended March 31 1992 pre-tax profit slumped from £161,000 to £12,000, after absorbing a loss of £129,000 in Westwood Dales. That included substantial severance costs as the workforce had been cut by 87 per cent since last September.

During the last two months Westwood's order intake showed signs of recovery, but break-even was expected for the year, said Mr Daniel Slabbert, the chairman. Its future viability was being re-assessed as it constituted less than 7.5 per cent of group sales.

Group turnover slipped to £2.7m (£10.4m). Earnings per share came to 0.64p (0.38p).

In Canada the group is to strengthen its capital base by merging its subsidiary with Heenan Senior Resources, and the resultant undertaking will be listed in Toronto. With the initial share consideration and a placing to follow, the UK company will control 74.9 per cent of the capital.

The Canadian business can then expand without having to rely on the parent company for additional requirements.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total for last year
ACT Group	31	Aug 10	2.5	4.5	3.75
Barris B	31	Aug 10	4.8	2	6.8
Berry Birch	2.2	July 10	1.5	3.2	1.5
German Invest	0.8	July 9	0.8	0.8	0.8
Holmes/Mitchell	3.5	July 10	3.5	4.4	4.2
Jarvis Porter	1.25	July 10	1	1.25	1
LOF	3.3	July 2	3.3	5	5
Providing	28.7	July 31	12	16.95	16.3
Stn State Water	12.4	July 31	12	16.95	16.3
Whitbread	12.4	July 31	12	16.95	16.3

Dividends shown pence per share net except where otherwise stated. *On increased capital. \$USM stock. *For 13 months. *Includes 2.8p average statutory dividend.

Deutsche Bank

Frankfurt am Main

A copy of this advertisement has been delivered for registration to the Registrar of Companies.

If you are in any doubt about this offer please consult a stockbroker, bank manager, accountant or other person authorised under the Financial Services Act 1986 who can advise you on the risks involved in investing in bonds and warrants. The market in warrants can be highly volatile and warrants carry a high risk of loss.

Persons are authorised to grant the Ordinary General Meeting of Deutsche Bank AG (the "Meeting") to be held on 22nd May 1992 at 10.00 am in the main hall of the Deutsche Bank AG, 100 Boulevard de la Woluwe, 1200 Brussels, Belgium, to consider and approve the following resolutions:

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BRITANNIA BUILDING SOCIETY

£125,000,000
Floating Rate Notes
Due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 18th May 1992 to (but excluding) 18th August 1992 the Notes will carry a rate of interest of 10% per annum.

The relevant interest payment date will be 18th August 1992. The coupon amount per £100,000 Note will be £23.83 and per £100,000 Note will be £23.83 (plus applicable agent's commission of 0.15% per annum).

Hambros Bank Limited
Agent Bank

HEART LIMITED
£500,000,000
Secured Floating Rate
Notes Due 1993

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from the 13th May 1992 to 13th November 1992, the Notes will bear a rate of interest of 4.3275%.

The interest amount payable on 13th November 1992 will be US\$209.92 per US\$100,000 note.

DKB International plc
London
Agent Bank

DAI ICHI KANGYO
AUSTRALIA LIMITED
US\$83,000,000

Floating Rate/Fixed Rate
Guaranteed Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from the 14th May 1992 to 16th November 1992, the Notes will bear a rate of interest of 4.3925%.

The interest amount payable on 16th November 1992 will be US\$88.95 per US\$100,000 note.

DKB International plc
Agent Bank

GOVETT AMERICAN SMALLER COMPANIES TRUST PLC

(Registered in England No. 2706599)
(An investment company within the meaning of section 260 of the Companies Act 1985)

Introduction to The London Stock Exchange by

Lazard Brothers & Co., Limited

relating to the issue of up to 200,000,000 Ordinary Shares of 25p each pursuant to the reconstruction of Govett Atlantic Investment Trust PLC

Share Capital following the Introduction

Authorised Issued and to be issued, fully paid*

£50,000,000 in Ordinary Shares of 25p each £2,500,000

COMPANY NEWS: UK

ACT rises 34% and makes £5m purchase

By Alan Cane

SALES AND profits last year at ACT, the Birmingham-based computing services company, continued to display the vigorous growth the company has been experiencing since it disposed of Apricot, its hardware arm, to Mitsubishi of Japan two years ago.

Yesterday it reported sales for the year to March 31 up 21 per cent at £119.4m (£98.8m) while pre-tax profits rose 34 per cent to £17m (£12.7m). The results were at the top end of analysts' expectations. The shares rose 4p to 192p.

ACT also announced the acquisition of Medical Computer Services, which specialises in systems for private health care, for £5.02m, satisfied by the issue of 2.7m shares and the payment of about £2,000 in settlement of MCS share options.

Settlement in shares was at the request of the MCS owners. ACT has net cash balances of £24.3m for acquisitions. Mr Roger Foster, ACT founder and chairman, said each of the six divisions made money in the year. However profits slipped at Logsys, a systems integrator specialising



Roger Foster: portfolio protects against downturn

in public sector contracts, which made £80,000 on sales of £27.5m and Computer Support, with £5.1m on £26.8m.

In contrast, the financial services division, boosted by the acquisition of Quotient and the Irish Kindie Group during the year, made pre-tax profits of £7.5m on sales of £44m.

Mr Foster claimed the company's portfolio of products and market sectors was now wide enough to protect it

against downturns in specific sectors.

He emphasised the importance of software products, which were stable and cash generative and in which the group had investments totalling more than £50m.

Earnings per share were 10.53p (9.5p) and a final dividend of 5p is recommended for a total of 15.5p, an increase of 20 per cent on the 3.75p paid last time.

Saatchi in move to gain attraction in the US

By Gary Mead, Marketing Correspondent

SAATCHI AND SAATCHI, the advertising group, has announced details of plans to consolidate existing ordinary shares in order to make the company a more attractive stock in the US.

Under the proposal, which will be put to shareholders at an extraordinary general meeting, following the annual meeting on June 10, every 10 ordinary shares of 10p will be consolidated into one new ordinary share of 25p.

At the same time every 10 American depositary receipts, each representing three 10p ordinary shares, will be exchanged for one new ADR representing three ordinary shares worth 25p each.

The company gives as its reasons for the move the need to increase its attractiveness to US investors and to improve company administration. Saatchi group currently has more than 1.5bn shares in issue.

Saatchi has also issued its 1991 annual report, which reveals that five directors - Mr Robert Louis-Dreyfus, Mr Maurice Saatchi, Mr Charles Saatchi, Mr Charles Scott and Mr Jeremy Sinclair - have agreed to waive £1m of salary entitlements for the current year ending in December.

The Saatchi brothers are each waiving £312,500, the same as in 1991. The report also shows six institutional holders of three per cent or more of the ordinary share capital of the company, led by the State of Wisconsin Investment Board, with 7.97 per cent.

LOF shows 31% improvement to \$2.67m

IN A VOLATILE trading environment, London & Overseas Freighters, the UK tanker company, raised pre-tax profits by 31 per cent from \$2.04m to \$2.67m (£1.5m) in the year to March 31 1992. Net freight and hire income climbed 11 per cent to \$11.65m.

With earnings per share at 11.5p (8.4p), the dividend has been raised from 1p to a recommended 1.35p. Cash flow remained strong at \$6.91m and debt was reduced by 33 per cent from \$15m to \$10m.

Market values of each of the company's tankers fell by 20 per cent from \$24.5m to \$19.25m over the year.

The directors said that this year both the "London Spirit" and "London Victory" would carry out their biennial repairs with a consequent loss of earnings. This, together with increasing costs and borrowings associated with the new building vessel, would put pressure on operating margins over the next year.

Baris near £1m loss after provisions

Reduced profitability and heavy provisions against contracts in Spain and the UK have pushed Baris Holdings, the fire protection and dry lining specialist, into a pre-tax loss of \$948,000 for the year ended February 1992.

That represented a £3.18m downturn on the £2.23m pre-tax profit of the previous year.

Accordingly, the directors are not recommending a final dividend, leaving the 2p interim as the year's total (8.5p). Losses per share were 13.5p (earnings 23.2p).

Mr Robert Smith, chairman, said the company suffered from recession in the UK construction market and the dis-

pute on the Vila Olimpica project in Barcelona, and had made exceptional provisions of £1.8m for contracts.

Also, the company entered a borrowing position with net interest charges of £149,000, against income of £119,000, as it experienced a lengthening period of debtor collection.

Mr Smith said the second half performance was creditable in that turnover was £12m (out of a total of £23.2m) and generated an operating profit of £618,000.

Impshire reduces losses to £255,000

Impshire Thoroughbreds, the Irish breeding and racing concern, reported a reduced loss before tax of £255,000 (£232,000) in the year to end-December.

This compared with a deficit of £1.58m last time. Losses per share were cut from 21.5p to 4.5p.

Intl Resort Holdings in receivership

International Resort Holdings, the loss-making property and leisure group which owns Collingtree Golf course, has gone into receivership leaving debts of £14m.

Mr Peter Mills of receivers Smith & Williamson said the company was "significantly insolvent", with liabilities far exceeding assets. At the end of March 1991, IRIH had assets of about £16m.

Mr Mills said an unofficial valuation earlier this year, commissioned with a view to a rescue rights issue, had shown that the company's asset value had fallen too far to allow a cash call. IRIH was suspended

at 33p last month following the findings.

Bankers Gamelstad - which holds a 15 per cent stake in IRIH - and Bank of Scotland called in the receivers on Friday afternoon.

Mr Mills said he was in talks on the sale of Collingtree, in Northampton. The golf course and property development is valued at £9m in the company's books, but Mr Mills said it was now worth "significantly less than that".

Substantial cut in Tullow deficit

Following the elimination of exceptional charges, Tullow Oil cut its loss to £254,000, or £49,000, in 1991.

The year included £106,000 exceptional credits, being profit on part assignment of the Yemen licence interest, less £394,000 written off Spanish and Irish licences and new venture appraisal costs.

In the previous year exceptional charges were £21.49m in a total loss of £1.58m.

During the year the main production income continued to come from the Senegal gas project.

Turnover came to £228,000 (£212,000) and the operating deficit to £201,000 (£258,000). Losses per share were 0.04p (£1.34p).

German Investment net assets up 9%

Some recovery in the German market in the second year of the German Investment Trust enabled the trust to raise its undiluted net asset value by 9 per cent to 87.5p at March 31, 1992, against 80.1p a year earlier.

Net available revenue

dropped to £235,064 for the year, against £214,491 in the previous 13 months period, but which included a significant contribution arising from interest earned on the cash proceeds of the offer prior to investment.

Earnings per share fell from 0.81p to 0.6p and accordingly, the dividend has been cut from 0.8p to 0.6p.

Gartmore European asset value ahead

At March 31 1992, net asset value of Gartmore European Investment Trust stood at 96.8p, compared with 94.7p six months earlier and with 95.4p at end June 1991.

Gross revenue for the half year ended March 31 totalled £178,000, net revenue came to £16,000 and earnings per share 0.08p.

The comparative figures shown this time are for the six months ended December 31 1990, as the trust had changed its year-end. Gross revenue was £370,000, net income £143,000 and earnings per share 0.84p.

Berry Birch surges after low tax charge

Higher turnover and profits, and a more than doubled dividend for the year ended January 31 1992 are announced by Berry Birch & Noble, financial adviser and insurance broker.

Turnover rose to £5.62m (£5.25m) and pre-tax profit to £818,000 (£628,000), while earnings per share came to 10.04p (£1.18p) after a substantially reduced 22.5 (38) per cent tax charge.

There is a final dividend of 3.2p to make 3.2p for the year, against 1.5p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Critical information is not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Interim: Apollo Metals, Archimedes Inv. Trust, Capital Radio, Countryside Properties, Kwik, Leeds, Molyneux Estates, Turrill, Young Oil
Final: Allied-Lyons, British Airways, Corstons Services, Relson Inv. Trust, Rediffusion, Siderco

FUTURE DATES
Interim: ...

Carlton Communications ... May 27
Isis & G Group ... June 24
Scottish Inv. Trust ... May 28
Russet ... May 28
Ariston New European ... May 21
Charterfield Properties ... May 21
Mercury Asset Management ... May 26
Meridian Clip & Income ... May 26
NEC Corp ... May 26
Nippon Power ... June 18
Park Foods ... May 29
Phylis ... May 21
Property Partnerships ... June 8
Rohde & Nohel ... May 28
Slade ... June 3
Shires Inv. Trust ... May 21
Southwest ... May 22
Toshiba Corp ... May 28

COMMENT

Even if the contributions from acquisitions is stripped away, ACT's performance in a year which many computer companies thought the worst ever is remarkable and the company's credibility is strengthening rapidly.

Analysts are pencilling in profits before tax of about £33m for the present year and £27m next. With a prospective p/e of about 15 the stock seems neither overpriced nor particularly risky.

Bayer: Expertise with Responsibility.



Europe is our home market; our objective is to further strengthen our presence in North America and the Far East.

The creation of the Single European Market comprising about 345 million people will open up new opportunities for industry and commerce from 1993. With production facilities in virtually all EC countries, broadly based R & D activities and an extensive marketing network, Bayer is poised to take advantage of this new era.

In 1991 Bayer's companies in the EC generated nearly two-thirds of Group sales and about 70 per cent of Group earnings. These figures show quite clearly that Europe has become our home market. And this gives us the base we need for continued growth in North America and further expansion of our presence in the Far East.

Bayer is a globally oriented company, so strengthening our position in these key regions is a matter of prime importance.

KEY DATA

1991: Group sales DM 42,401 million. Sales outside Germany accounted for 78.3 per cent of this.

Group capital expenditures DM 3,074 million. Group R & D expenses DM 3,007 million.

Group net income (after minority interests): DM 1,824 million.

Dividend: DM 13 per share of DM 50 par value.

Payout: DM 838 million on capital stock of DM 3,225 million distributed among some 375,000 stockholders.

We would be happy to provide more information. Please write to: Bayer AG, Public Relations Department, 5090 Leverkusen, Germany.

Bayer Aktiengesellschaft Leverkusen

Bayer

COVENTRY

The FT proposes to publish this survey on May 26 1992.

from its print centres in Tokyo, New York, Frankfurt, Paris and London. It will be read by senior businessmen and government officials in 160 countries worldwide. It will be of particular interest to the 130,000 directors and managers in the U.K. who read the weekday FT. If you want to reach this important audience with your services, expertise or products whilst maintaining a high profile in connection with Coventry

Call Anthony G. Hayes on 021 454 0922 or Fax: 021 455 0869
George House, George Road, Edgbaston, Birmingham B15 1PG

Data source: BMRB Buylissman Survey 1990

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place on May 31, 1992, at the registered office of the Company, 6 John B. Gorslaweg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

- Report by the Board of Supervisory Directors on the course of business of the Company and on the administration conducted during the fiscal year ended November 30, 1991.
- Discharge and subsequent re-election of the Board of Supervisory Directors.
- Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1991.
- Further appropriation of the Net Result of the period November 30, 1990 thru November 30, 1991.
- Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1991 and as presented in the report by the accounting firm of Deloitte & Touche dated May 1, 1992.
- Discharge and subsequent re-election of the Board of Managing Directors.
- Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvonnante Corporation N.V., authorizing Yvonnante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvonnante Corporation N.V., 6 John B. Gorslaweg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvonnante Corporation N.V. as to the voting of their shares by writing to Yvonnante Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.
by: Pierson Trust (Curaçao) N.V.
Managing Director



PETROFINA

Société anonyme
Office: 52 rue de l'Industrie - B-1040 Brussels
VAT No 403.079.441 - R.C. Brussels No 227.957

Dividend Notice

At the Annual General Meeting held on May 8, 1992, the Shareholders approved a dividend payment of BEF 581 (or BEF 421 net after deduction of withholding tax) in respect of 23,124,477 shares outstanding at December 31, 1991, coupons numbered 7 to 30 still attached. For the 125,000 AFV shares, with coupons numbered 7 to 30 still attached, the dividend amounts to BEF 449 net after deduction of withholding tax.

The dividend will be payable as from May 21, 1992 against coupon N° 7 at:

Banque Bruxelles Lambert Générale de Banque
Kredietbank Banque Paribas Belgique
Banque Nationale de Paris Crédit du Nord
Banque Internationale à Luxembourg Banque Générale du Luxembourg
Algemeene Bank Nederland Amsterdam-Rotterdam Bank
Commerzbank Deutsche Bank
Crédit Suisse Swiss Bank Corporation Union Bank of Switzerland
Credito Italiano Barclays Bank (168 Fenchurch Street, London)
as well as at Petrofina's office in Brussels.

COMPANY NEWS: UK

Thornton Inv seeks £100m for new trust

By John Authers

THORNTON Investment Management is seeking to raise £100m via an international placing for a new investment trust which will invest in European smaller companies.

Other investment trust launches are also expected, despite the widespread opinion that such new issues might be halted following a series of ambitious flotations at the end of the 1991-92 tax year, which were aimed at taking advantage of tax loopholes.

Thornton's trust will be called European Smaller Companies and will be distributed by Thornton in the UK, by

Banque Nationale De Paris in France, and Dresdner Bank in Germany. These companies will also share the fund management, which will be devoted to the three countries.

It will qualify as a UK investment trust, and will be incorporated in England. The trust will also be listed on the Paris and Frankfurt stock exchanges.

UBS Phillips & Drew will sponsor the issue. Stock will be distributed in 25 units consisting of five ordinary shares and one warrant, and investors will also be allowed to subscribe in German or French currency at a "comparable" price.

Mr Peter Walker, the former cabinet minister who is chairman of Thornton and the new trust, said the issue in the UK and Germany will be aimed equally at the wholesale and retail markets, while the French marketing will be set primarily at institutions.

He said the fund would aim to take advantage of the establishment of the EC single market and the reconstruction of Eastern Europe. It will be jointly managed by Thornton, Dresdner and BNP. Each company will be remunerated equally, regardless of the share of the fund they manage - according to Mr Walker this will remove any incentives to distort the fund's asset allocation.

The company had opted for a closed-end structure because this would allow the fund managers more freedom. An open-ended structure might have obliged the managers to sell stock in the event of heavy redemptions, Mr Walker stated.

According to the provisional timetable the offer for subscription will open on June 15 and close on July 7, with dealings commencing on July 14.

Small businesses will see merger benefits

David Barchard on Lloyds' claim to a sector critical of high street banking services

WHEN THE bank with the stiffest charges for small business customers proposes making a takeover bid for its rival with the lowest, eyebrows are bound to be raised.

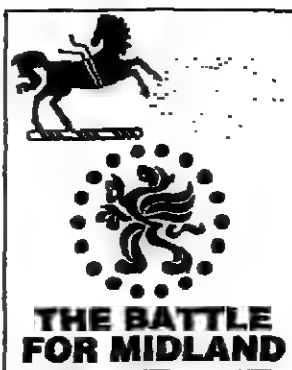
Nonetheless, Lloyds is now claiming that small businesses would eventually benefit if it was to buy Midland.

Lloyds says it will offer Midland shareholders much better terms than the rival Hongkong Bank. But now it has to convince its customers and also the competition authorities of the benefits a takeover of Midland would bring.

It has a great deal of scepticism, in the City as well as among the general public, to overcome. "Lloyds has got an awfully long way to go to convince people that its customers will benefit," one stockbroker analyst said.

So Lloyds has begun a charm offensive to persuade the world that the merger will mean enormous benefits to bank customers.

Those chiefly in its sights are small businesses, a politically powerful group whose discontent with existing high street banking services has been voiced repeatedly over the past year.



THE BATTLE FOR MIDLAND

As Lloyds and Midland each have about 15 per cent of this market, any combined bank would immediately take its place alongside Barclays and National Westminster as a new market leader.

Lloyds has not been enormously popular with small businesses. Last year its new package for them was described as "weak and one-sided" by the Forum of Private Business, a lobby group with nearly 20,000 members.

More recently, a study by Rochester Research has shown that Lloyds charges its small business customers substantially more than the other Big Four clearers, while Midland costs the least.

Some small businesses would save about 20 per cent in charges if they kept their account with Midland rather than Lloyds.

Lloyds claims this picture would change dramatically after the merger. It says the economies to be achieved by merging with Midland would enable it to make a quantum leap in its small business services, thereby helping stimulate long-term economic growth.

There is no doubt that several of the new services Lloyds says it envisages offering are certainly very enticing by comparison with anything offered by it or its main rivals at the present time.

To start with, new businesses would not have to pay any tariff charges for their first two years. "This is something no other bank offers," says Mr Brian Pitman, the chief executive at Lloyds.

Small businessmen everywhere should find other ideas being floated by Lloyds mouth-watering, even if they cannot help noticing that the bank has not been very forthcoming about what it would charge.

Even the smallest new businesses would be able to tap equity capital, in amounts as low as £5,000, from a new £100m venture capital fund. Businesses would also be able to borrow on fixed rates for up to seven years.

Small businesses would be given help with cash flow when large companies paid them late, through a new invoice discounting service.

They would also be able to get specialist advice on computer services and more advice in co-operation with the Department of Trade and Industry.

So instead of there being less market competition in the UK after the merger, Lloyds believes there would be more intense rivalry, as the two other large banks, Barclays and NatWest, would be forced to improve their services.

Mr Stan Mendham, chief executive of the Forum of Private Business, last week welcomed the package from Lloyds, but pointed out that Lloyds and Midland have distinctly different approaches to their small business customers and merging their operations could be problematic.

His reserve is based partly on the close relationship that Midland has forged with its small business customers. The clearer's business branch managers are trained at seminars at which Mr Mendham and other leading small businessmen teach.

Last week the FBP - whose policies are based on periodic polls among its membership - swung behind the Hongkong offer for Midland, saying that it would bring more benefit in the long term to small businesses through the injection of new ideas into the British banking system.

Against this Mr Pitman points to the £700m cost savings which Lloyds expects to achieve, compared to only £150m envisaged in the Hongkong bid.

He foresees powerful synergies springing from a Lloyds merger with Midland, and small businessmen taking their place alongside shareholders as the principal beneficiaries.

Time will tell whether this argument wins general acceptance, especially where it counts, at the Office of Fair Trading and at Westminster.

Danish plan by Budgens with £1.5m bakery buy

By Peter Pearson

THE MEN who turned round a German supermarket business before being given the helm at a faltering British food retailing chain, are now keen to develop a continental-type bakery in a bold-on acquisition and expect shortly to hire a Danish master baker.

Budgens has bought family-managed Gilsons The Bakers for about £1m and is assuming banking liabilities of about £500,000.

This is not the first bakery operation with which Budgens' Mr John von Spreckelsen, Mr Christian Williams, and Mr Graham Rigby - respectively chief executive, director and finance director - have been involved. Before the Budgens call, they revived the fortunes of Kati Wasmund, the Bremen-

based chain of supermarkets, which included a bakery business. Mr Williams will become Gilsons' chairman.

Founded soon after the turn of the century, Gilsons is based near Heathrow. Its customers already include 15 of Budgens' 65 stores, as well as other supermarkets, catering companies and Gilsons' two retail outlets.

Currently about 40 per cent of its £3.4m turnover is to the catering trade, and when the acquisition is complete, it will supply some 30 Budgens stores. In 1981, operating profits were about £350,000.

Gilsons' traditional British baking will be maintained, but one of Denmark's 30,000 qualified master bakers will be employed to spice up and add to the operation, especially the pastries side.

South Staffs' 36% advance boosts shares

By Peter Pearson

Shares in South Staffordshire Water Holdings leapt 32p to 900p last Friday as the water utility revealed a 36 per cent advance in profits for the year to March 31. The shares continued their rise yesterday, putting on a further 28p to close at 928p.

The pre-tax surplus of £2.74m (£2.43m) was struck on turnover 11 per cent ahead at £24.3m (£23.4m).

Mr Edwin Thompson, chairman, said the company's strong financial performance over the year had enabled it to restrict the increase in charges to below the maximum available for both domestic and commercial customers.

The final dividend is 26.7p, which together with the average statutory dividend and the interim, makes 40.5p for the year - covered 3.7 times by earnings of 148p (104p).

Misys expands insurance interests

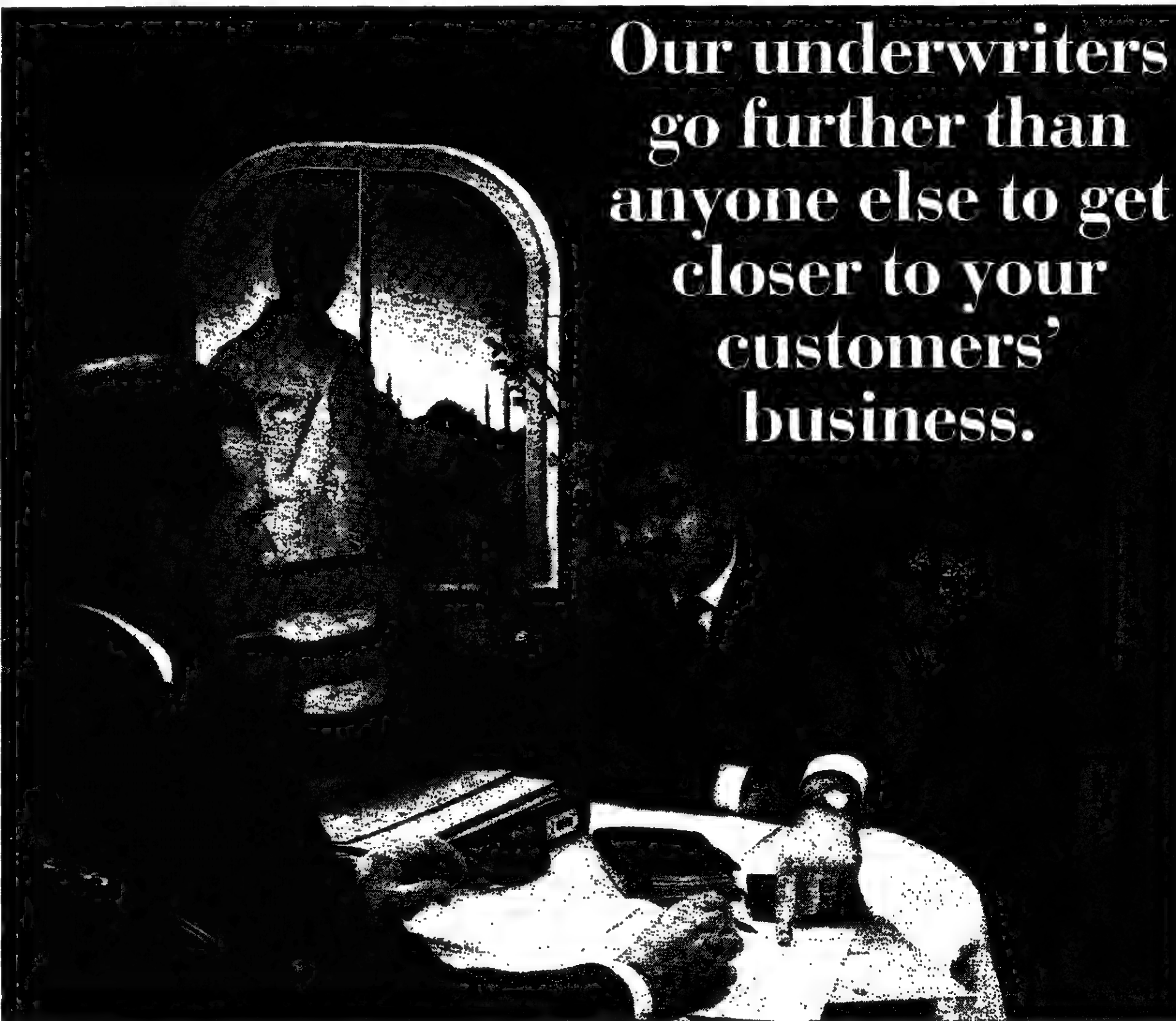
By Peter Pearson

Misys, an acquisitive computing services group recovering from a poor 1991, is strengthening its activities in insurance services through the purchase of Countrywide Holdings (UK) and Countrywide Management Group.

It has agreed terms for the acquisition of the 76.8 per cent of Holdings and 61.9 per cent of Management it does not already own. The offers, in shares with a cash alternative, value Holdings at £6.8m and Management at £4.9m.

Last year Holdings made pre-tax profits of £945,000 on revenues of £3.5m, while Management lost £245,000 on revenues of £1.7m.

The two companies will be incorporated into Misys Financial Systems, which provides software systems to the insurance intermediary market. Misys and Countrywide have pioneered electronic trading of insurance products.



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shares from IRI

Holders of IRI-STET 1991-1994 warrants are informed that, in accordance with point 2, letter C, of the regulations, the right to exercise the warrants for the purchase of STET Savings shares will be suspended:

- from 22 May to 2 June 1992 due to the general meeting of savings shareholders called for 3/4 June;
- from 2 June to 18 June 1992 in expectation of possible payment of the dividend.

Rome, 19 May 1992

KOP
10.45 CURRENCY
BONDS

Yen 4,000,000,000
Currency bonds due 1992

In accordance with the terms and conditions of the Bonds, notice is hereby given that the Redemption amount payable on maturity 15th May 1992 will be Yen 4,000,000,000 per Yen 100,000,000 nominal.

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London
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Mortgage Intermediary
Note Issuer (No.1)
Amsterdam B.V.

For the three month period from 15th May, 1991 to 15th August, 1992, the Notes will bear interest at the rate of 10.375 per cent, per annum. The Coupon amount per £25,000 Note will be £653.77 payable on 15th August, 1992.

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COMMODITIES AND AGRICULTURE

EC ministers begin last push towards farm reform

By David Gardner in Brussels

THE most radical overhaul of the EC's Common Agricultural Policy in its 30-year history hove into view yesterday, as farm ministers of the Twelve convened here for marathon negotiations. The European Commission began a dogged defence of its reform proposals.

As the horse-trading began, it became clear that the Commission's challenge was to prevent negotiation on detail from amounting to an assault on the fundamentals of its plan.

The bargaining may last all week, and require an extra Council meeting before the ministers are scheduled to reconvene on June 15-16 in Luxembourg to finalise the reform.

Agreement on CAP reform will also make conclusion of the five and a half-year Uruguay Round negotiations to liberalise world trade less elusive, by demonstrating EC commitment to restrain subsidised production of agriculture, the main obstacle in the international talks.

But doing a deal may well be at the cost of blunting the European Commission's original reform proposals.

Such an outcome, while still amounting to the EC's biggest step towards reining in over-production, stabilising ballooning subsidies, and plugging the widening holes in average farm incomes, will almost certainly require a second round of negotiations later this decade.

After 18 months of hard negotiations, ministers have moved from unanimous opposition to the Commission's plan to seeking an agreement based upon its main precepts. Yesterday they started bilateral talks

with the Commission and the current Portuguese presidency of the EC to establish each country's bottom line.

Mr Ray MacSharry, EC agriculture commissioner, says he is determined to resist attempts to soften his proposed 35 per cent cut in cereal prices. The Commission wants to reduce the subsidised price of around Ecu155 per tonne to Ecu100 over three years. Last month, Mr MacSharry registered an unprecedented formal objection to the Portuguese presidency's suggestion of an Ecu112 target, or 27 per cent cut - its fourth attempt to engineer a compromise and slide the cuts downwards.

The commissioner argued that Ecu100 was the limit at which the EC could make its cereals competitive, cease dumping its surpluses on world markets, and bring internal markets into balance. "The Commission is not prepared to accept 112," a senior Brussels official restated last week.

The cereals proposal is the linchpin of the reform. It foresees direct payment to farmers in compensation for the price cuts, contingent on larger farmers taking 15 per cent of their land out of production. Mr MacSharry has warned that a looser target price of Ecu112 would require them to set aside 32 per cent of their land.

Expert opinion oscillates between those who foresee the final compromise settling at around Ecu108 per tonne - an optimistic outcome for the Commission - and those who see a further loosening to around Ecu115 or beyond, which would be a victory for Germany.

The Germans, whose inefficient agricultural structure has

dictated the high subsidies of the CAP since its inception, want to settle as near as possible to the 30 per cent domestic cuts required within the Uruguay Round. France, however, the EC's largest and most competitive producer, fears that softer price cuts will saddle its farms with quotas to restrain production, such as the increased set-aside threatened by Mr MacSharry. The UK, Netherlands and Denmark also favour deeper price cuts.

Brussels has some leverage in that farmers this year already face a further 6 per cent cut in cereal prices, on top of an extraordinary 5 per cent cut last year which was retained for 1992-93, making 11 per cent. This results from the old "stabiliser" system, a tax on overproduction, without compensation which has nevertheless failed to restrain output, depressing incomes still more.

The Commission may agree to confute some of next year's sharp, unreformed cuts into the package of reform cuts. If it fails to win sufficient cuts on cereals, the higher than planned prices will rebound into the crisis-ridden livestock sector, where the lower cost of cereal feed is supposed partially to compensate also severe price reductions.

The Commission's tactical imperative is to prevent German and French interests from converging too far away from its plan. The Portuguese presidency's "compromise number four" does not get us very far, judged Mr David Curry, the UK's deputy Agriculture Minister. "He (MacSharry) is going to have to do a lot of political juggling to get us there."

Coffee chief calls for action to revive prices

By David Blackwell

THE WORLD coffee industry, hit by the lowest prices for more than 23 years, has reached a turning point, according to Mr Alexandre Beltrao, executive director of the International Coffee Organisation.

Calling for speedy action to revive the export quota mechanism which collapsed in July 1989, Mr Beltrao told a coffee conference in Japan at the weekend he was convinced that managed trade "should no longer be seen as the undesirable concept castigated by the deregulators of the 1980s".

The value of world coffee trade has fallen from \$12bn a year to \$7bn since the end of the export quota system. Retail sales of coffee, including supplies to the catering trade now stand at about \$40bn a year, he said.

Restoring the producers' share of the cake to \$12bn would place no additional burden on consumers. But if prices continued to fall, the good years of surplus coffee for roasters and exporters sooner or later will come to an end.

World producers were taken aback by the rapidity of the market fall which followed an indecisive ICO meeting early last month. On Monday April 13 the second position robusta contract on London fell from \$864 a tonne to \$828 a tonne. The market touched a low of \$676 a tonne on May 8. Last night the second position contract closed at \$735 a tonne, up \$1 on the day.

Next week producers will be arriving in London for talks at the ICO on the format a new agreement should take. They appear increasingly determined to take action to halt the slide in prices. Last week Costa Rica suspended exports; over the weekend Colombia suspended the sale of its coffee on the New York futures market; and Brazil and Colombia, the two biggest producers, were last night holding high level talks.

Analysts in London agree that there might well be some movement in the upcoming ICO talks. "The economic pain is so great that everyone is going to be forced to agree purely to boost market prices," said Mr Lawrence Eagles of GNI, the London futures brokers.

"There has been a sea change," said Mr Neil Rosser of E.B. & F. Mann, the London trade house. "There is a serious crisis in the coffee world. No one is making any money at these price levels."

Russian platinum exports run wild

By Kenneth Gooding, Mining Correspondent

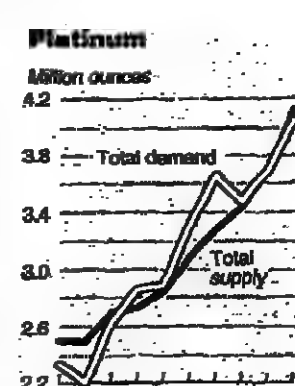
RUSSIA'S PLATINUM export sales went spiralling out of control last year and reached a record 1.1m troy ounces worth at least US\$63m, according to Johnson Matthey, the world's biggest platinum marketing group.

This was 380,000 ounces or one third up on the previous year when exports were also extraordinarily high by recent standards.

In 1990 Russia already had begun to run out of gold to sell and turned to other commodities in desperate search for hard currencies to prop up its ailing economy.

However, JM believes that Russia did not expect to have to sell so much platinum last year. Much of the metal was supposed to be used only as collateral for loans.

The Soviet Bank for Foreign Economic Affairs had sold 250 tonnes (943,000 ounces) of platinum to lend to the market in a particular way - in swap deals



Source: Johnson Matthey

which involved the Bank selling metal to counterparts and promising to buy it back at an agreed future date.

But towards the end of 1991 it became clear that the old Soviet Union would split into its component republics and the Bank was orphaned. Western banks and dealers withdrew their credit lines and the swaps were no longer rolled forward when they expired.

The Bank had no alternative

but to sell the platinum to meet its obligations.

Mr Jeremy Coombes, author of JM's annual review of the platinum market, says that all the metal allocated to the Bank had been disposed of by the end of the first quarter this year and the Russians were now back in control of their platinum exports.

The Russians recognise the damage they did in the market - last year the extra supply helped drive the platinum price down from a peak of \$424 an ounce to a low of \$330 and the average London fixing price fell from \$472 in 1990 to \$376. The Almay organisation, now controlled by the Russian Federation, has regained its monopoly of export sales, Mr Coombes suggests.

He predicts that Russia's export sales this year will consequently fall back to 1990 levels and be between 600,000 and 700,000 ounces.

The extra Russian metal helped to increase the surplus of platinum supply in western markets to 120,000 ounces last

year, according to the annual review, up from a surplus of 30,000 ounces in 1990.

Both supply, at 4.16m ounces (up from 3.73m), and demand, 4.04m ounces (up from 3.77m), reached record levels last year. Mr Keith Green, JM's operations director, describes platinum demand as being "incredibly recession-proof" and facing good growth for the next five years.

Worries about the lack of economic growth in Japan, the biggest consumer of platinum jewellery, had been dispelled in the first quarter when sales there topped last year's record level.

Platinum demand in 1992, increasingly driven by its use in car anti-pollution catalysts, should be even better than last year and absorb surplus supplies, said Mr Green. This should enable the price to climb back to \$400 an ounce by the year-end.

Platinum 1992, free from Johnson Matthey, 73 Hatton Garden, London EC1N 8JP, England.

Alcan says aluminium still flooding from CIS

By Kenneth Gooding

RUSSIA'S aluminium smelters are living a hand-to-mouth existence but are still managing to produce a great deal of metal, according to Mr David Morton, chairman of Alcan Aluminium of Canada.

He said it would therefore be "imprudent" for western producers to assume that the flood of aluminium exports from Russia would ease this year.

The Russian smelters are terribly inefficient, in poor condition, short of raw materials and are also polluting, said Mr Morton. But the Common-

wealth of Independent States' aluminium industry had 3.5m tonnes of installed capacity and in spite of all its tribulations should be able to produce 2.5m to 3m tonnes this year.

CIS domestic demand had collapsed so it was prudent to expect that exports to the west would be 800,000 to 1m tonnes compared with Alcan's estimate of 845,000 tonnes in 1991.

Mr Morton said an Alcan team recently returned from a fact-finding trip to Russia and pointed out that, apart from the extra metal from Russia, about 1m tonnes of new capac-

ity was coming on stream in the west in the next 18 months.

So conditions in the aluminium industry "are going to be miserable for the next year or two".

He said it was essential that more of the west's high-cost smelting capacity was closed down. The highest-cost smelters were in Europe and it would take some time for closures to occur because of social and other pressures. However, at present aluminium prices, 50 to 60 per cent of smelters in the west were not covering their full costs and this could not go on indefinitely.

He also revealed that republics which already had a special bilateral treaty with Russia, such as Belarus, would be paying about the same as Russian enterprises for their oil.

But it was not possible for Alcan to contemplate any large investment in the CIS because of the absence of a legal framework or financial institutions, taken for granted in the west.

Mr Morton, in London during a visit to institutional investors and banks in Europe, pointed out that, apart from the extra metal from Russia, about 1m tonnes of new capac-

Moscow to ease oil tax for joint ventures

By Layla Bouillon in Moscow

THE RUSSIAN government said yesterday it planned to ease the oil export tax burden for joint ventures.

"I would like to stress that for joint ventures we are introducing revisions which will help them maintain the conditions on the basis of which many agreements were signed," Mr Vladimir Lopukhin, the oil minister, told a news conference.

A tax of Ecu36 a tonne (\$5 a barrel) has been the subject of major lobbying by western companies and oil companies which claim it is a major obstacle to foreign investment in Russia's flagging oil production sector.

Mr Lopukhin also suggested it was possible that new export tariffs which were due to be introduced later this month

could be lowered for other exporters.

Mr Andrei Nechayev, the economics minister, said the phased liberalisation of internal oil prices, due to come into effect soon after May 21, could lead to the removal of all controls on the price paid by domestic enterprises in three months time.

But Mr Lopukhin admitted he could not say whether Russian oil producers would use the opportunity to reinvest the profits which would result from the higher prices. He said he was still in the process of preparing anti-monopoly measures to make them more responsive to market pressures.

But defying more pessimistic expectations, he told a news conference he expected exports to remain constant this year at last year's level of 60m tonnes.

He also revealed that republics which already had a special bilateral treaty with Russia, such as Belarus, would be paying about the same as Russian enterprises for their oil.

But it was not possible for Alcan to contemplate any large investment in the CIS because of the absence of a legal framework or financial institutions, taken for granted in the west.

Mr Morton, in London during a visit to institutional investors and banks in Europe, pointed out that, apart from the extra metal from Russia, about 1m tonnes of new capac-

administrative sanctions for producers which charged more than Rb2,200.

The new range corresponds to the present free market price within Russia but is still about a third of international oil prices.

Mr Nechayev said the government would use the money made from the taxation and fines to help certain enterprises and ordinary citizens weather the impact of the price increases.

The resolution in which the plan was announced, however, says the proceeds will be used mainly to rebuild the oil sector, leaving plenty of room for confusion on the fund's final destination.

Mr Nechayev said, however, that he expected to make Rb150bn from the punitive levies and Rb300bn from extra VAT revenues.

Topsoil threat to world food supply

By David Dodwell, World Trade Editor

RAPID loss of topsoil is threatening the world's long-term food supply and raising the prospect of widespread starvation and hunger, according to Mr Dwayne Andreas, chairman of Archer Daniels Midland, the US farm products group, who has been long-time adviser to US presidents on farm policy.

He attacked fiercely the protectionism in international farm trade, describing the agricultural sector as "the biggest victim of the chaos in today's world trading system". He said world markets had been ruined by predatory government policies that subsidise production and then dump goods on the world's markets.

Referring to US threats to

block \$1bn of EC food exports in retaliation for EC practices limiting US oilseed exports, he warned that the EC "can expect more of that unless [they] can negotiate fair practices in agricultural trade".

Soil erosion has cost the world 480bn tons of topsoil since 1970, Mr Andreas told executives attending the annual meeting in Oxford of the International Agribusiness Management Association. That is more than the total of all US cropland, he noted.

"Farmland in America's mid-west breadbasket loses some 20m tons of topsoil per acre every year," he said. "In Illinois, we're losing 1.5 bushels of topsoil for every bushel of corn we produce." Describing topsoil as "our basic raw material" - to us, what iron ore is to the steel industry, he warned that

failure to act could turn the world into "a famine-ridden dust bowl of warring and hungry billions".

Soil preservation policies were the foremost of five challenges facing the global agribusiness companies. Mr Andreas said. The other main challenges were to help the nations of eastern and central Europe to rebuild, to find new uses for agricultural products, to ensure a fair multilateral trading system, and to feed the world's hungry.

"Just to feed the world at today's nutritional standards means we will need to build a new flour mill every eight days; a new crushing plant and vegetable oil refinery every 30 days; and a new corn mill every 15 days," Mr Andreas said. "World hunger is a ticking bomb waiting to go off."

WORLD COMMODITIES PRICES

MARKET REPORT

TIN PRICES

TIN prices eased from earlier 18-month peaks during afternoon LME trading, but still closed higher. Dealers said three-month tin's run-up to a new high of \$6,265 a tonne largely reflected speculative buying as end-user interest was fairly routine.

Liquidation and profit-taking subsequently cut into gains, but final business at \$6,255 was still \$82.50 above Friday's close. The immediate upside objective is \$6,300, which could be hit today if LME stocks fall as expected. Three-month ALUMINIUM made another attempt in late trading to trigger stops lurking above \$1,340, but finally closed at \$1,338.50. The market was

LONDON MARKETS

SPOT MARKETS

Grade oil (barrel FOB)

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RUSSIA - LONDON POX

Close Previous High/Low

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LONDON METAL EXCHANGE

Close Previous High/Low

Aluminium 157.75 157.75 157.75 157.75

Cash 1313 1313 1313 1313

3 months 1328 1328 1328 1328

6 months 1342 1342 1342 1342

9 months 1356 1356 1356 1356

12 months 1370 1370 1370 1370

15 months 1384 1384 1384 1384

18 months 1398 1398 1398 1398

21 months 1412 1412 1412 1412

24 months 1426 1426 1426 1426

27 months 1440 1440 1440 1440

30 months 1454 1454 1454 1454

33 months 1468 1468 1468 1468

36 months 1482 1482 1482 1482

39 months 1496 1496 1496 1496

42 months 1510 1510 1510 1510

LONDON SHARE SERVICE

AMERICANS										BUILDING MATERIALS - Cont.										CONTRACTING & CONSTRUCTION - Cont.										ENGINEERING - GENERAL - Cont.										HOTELS & LEISURE - Cont.										INVESTMENT TRUSTS - Cont.														
Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985					
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
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Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50
Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	25.50	Alcatel	25.50	25.50	25.50	25.50	25.50																																							

INVESTMENT TRUSTS - Cont.

Company	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594
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● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 895-2128

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● Current Unit Trust prices are available on FT Cityline. Calls charged at 38p/minute cheap rate, not 15p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Company Name	Share Price	Dividend	Yield	Market Cap	Volume	Change
Anglo American	12.50	0.50	4.0%	1.2B	100,000	+0.10
Anglo Coal	15.00	0.60	4.0%	1.5B	120,000	+0.15
Anglo Gold	18.00	0.70	3.9%	1.8B	150,000	+0.20
Anglo Iron	20.00	0.80	4.0%	2.0B	180,000	+0.25
Anglo Petroleum	22.00	0.90	4.1%	2.2B	200,000	+0.30
Anglo Steel	25.00	1.00	4.0%	2.5B	250,000	+0.35
Anglo Tele	28.00	1.10	3.9%	2.8B	300,000	+0.40
Anglo Water	30.00	1.20	4.0%	3.0B	350,000	+0.45
Anglo Air	32.00	1.30	4.1%	3.2B	400,000	+0.50
Anglo Food	35.00	1.40	4.0%	3.5B	450,000	+0.55
Anglo Retail	38.00	1.50	3.9%	3.8B	500,000	+0.60
Anglo Health	40.00	1.60	4.0%	4.0B	550,000	+0.65
Anglo Media	42.00	1.70	4.0%	4.2B	600,000	+0.70
Anglo Energy	45.00	1.80	4.0%	4.5B	650,000	+0.75
Anglo Tech	48.00	1.90	3.9%	4.8B	700,000	+0.80
Anglo Telecom	50.00	2.00	4.0%	5.0B	750,000	+0.85
Anglo Transport	52.00	2.10	4.0%	5.2B	800,000	+0.90
Anglo Services	55.00	2.20	4.0%	5.5B	850,000	+0.95
Anglo Finance	58.00	2.30	3.9%	5.8B	900,000	+1.00
Anglo Real Estate	60.00	2.40	4.0%	6.0B	950,000	+1.05
Anglo Insurance	62.00	2.50	4.0%	6.2B	1,000,000	+1.10
Anglo Conglomerate	65.00	2.60	4.0%	6.5B	1,100,000	+1.15
Anglo Holding	68.00	2.70	3.9%	6.8B	1,200,000	+1.20
Anglo Investment	70.00	2.80	4.0%	7.0B	1,300,000	+1.25
Anglo Development	72.00	2.90	4.0%	7.2B	1,400,000	+1.30
Anglo Infrastructure	75.00	3.00	4.0%	7.5B	1,500,000	+1.35
Anglo Utilities	78.00	3.10	3.9%	7.8B	1,600,000	+1.40
Anglo Environmental	80.00	3.20	4.0%	8.0B	1,700,000	+1.45
Anglo Space	82.00	3.30	4.0%	8.2B	1,800,000	+1.50
Anglo Defense	85.00	3.40	4.0%	8.5B	1,900,000	+1.55
Anglo Aerospace	88.00	3.50	3.9%	8.8B	2,000,000	+1.60
Anglo Biotech	90.00	3.60	4.0%	9.0B	2,100,000	+1.65
Anglo Pharmaceuticals	92.00	3.70	4.0%	9.2B	2,200,000	+1.70
Anglo Chemicals	95.00	3.80	4.0%	9.5B	2,300,000	+1.75
Anglo Plastics	98.00	3.90	3.9%	9.8B	2,400,000	+1.80
Anglo Textiles	100.00	4.00	4.0%	10.0B	2,500,000	+1.85
Anglo Apparel	102.00	4.10	4.0%	10.2B	2,600,000	+1.90
Anglo Footwear	105.00	4.20	4.0%	10.5B	2,700,000	+1.95
Anglo Furniture	108.00	4.30	3.9%	10.8B	2,800,000	+2.00
Anglo Home Goods	110.00	4.40	4.0%	11.0B	2,900,000	+2.05
Anglo Electronics	112.00	4.50	4.0%	11.2B	3,000,000	+2.10
Anglo Computers	115.00	4.60	4.0%	11.5B	3,100,000	+2.15
Anglo Software	118.00	4.70	3.9%	11.8B	3,200,000	+2.20
Anglo Internet	120.00	4.80	4.0%	12.0B	3,300,000	+2.25
Anglo Gaming	122.00	4.90	4.0%	12.2B	3,400,000	+2.30
Anglo Entertainment	125.00	5.00	4.0%	12.5B	3,500,000	+2.35
Anglo Media Group	128.00	5.10	3.9%	12.8B	3,600,000	+2.40
Anglo Publishing	130.00	5.20	4.0%	13.0B	3,700,000	+2.45
Anglo Broadcasting	132.00	5.30	4.0%	13.2B	3,800,000	+2.50
Anglo Cable	135.00	5.40	4.0%	13.5B	3,900,000	+2.55
Anglo Satellite	138.00	5.50	3.9%	13.8B	4,000,000	+2.60
Anglo Telephony	140.00	5.60	4.0%	14.0B	4,100,000	+2.65
Anglo Telecommunications	142.00	5.70	4.0%	14.2B	4,200,000	+2.70
Anglo Media & Telecom	145.00	5.80	4.0%	14.5B	4,300,000	+2.75
Anglo Media & Telecom Group	148.00	5.90	3.9%	14.8B	4	

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses to strong D-Mark

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C IN NEW YORK

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FINANCIAL FUTURES AND OPTIONS

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

A black and white photograph of a cowboy on a horse, wearing a hat and a striped shirt, holding a lasso. The word "Marlboro" is printed in large, bold letters at the top of the image.

Continued on next page

NASDAQ NATIONAL MARKET

Stock	Div.	P	Stk	High	Low	Last	Chng	Stock	Div.	P	Stk	High	Low	Last	Chng	Stock	Div.	P	Stk	High	Low	Last	Chng	Stock	Div.	P	Stk	High	Low	Last	Chng	
			1000								1000									1000												
Amstar	0.44	21	13	35	34 1/2	34 1/2	+ 1/2	Big Micro	0.4	200	8 1/2	7	7 1/4	6 3/4	LDOS A	21	1440	30 1/4	28	29 1/4	-1	Sec Bank	1 00	17	57	42 1/2	42 1/2	42 1/2				

[illegible]

Orange	54	533	15 1/2	15	16 1/2
Orn Stone	151	138	15 1/2	14 1/2	15 1/2
Organist	0 31	8	180	8 1/2	8 1/2

357 17 75 74³₈ 75²₂ +14

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THE OFFICE ENVIRONMENT

The FT proposes to publish this survey on

It will be of special interest

to the 51% of the senior business executives in the UK with responsibility for premises/property management who are readers of the *Financial Times*. If you want to reach this important audience and the *Financial Times* estimated one million readers worldwide, call Edward Batt on 071 873 4196 or fax 071 873 3062.

Other Issues: Employee Business

Readership Survey, 1991

FT SURVEYS

FT SURVEYS

AMERICA

US stocks take their cue from overseas

Wall Street

US STOCK markets took their cue from overseas yesterday, share prices rising with relief that the Olympia & York bankruptcy situation did not do more damage to international financial markets, writes Patrick Harverson in New York.

By the close the Dow Jones Industrial Average showed an improvement of 22.94 at 3,736.03.

The more broadly based Standard & Poor's 500 index moved forward 2.72 to 412.77, while the Nasdaq composite index of over-the-counter stocks rose 2.10 to 578.53.

Turnover on the New York SE was light at 150m shares. No one factor dominated market sentiment yesterday, although the mild reaction of international markets to O & Y's troubles helped US equities bounce back from two consecutive days of losses.

The market was also helped by yet another fall in bond yields, and by growing hopes of an interest rate cut. The Federal Reserve's key policy-making Open Market Committee meets today, and if a decision is taken to ease monetary policy once more, it is likely to be agreed upon at the meeting, said analysts.

Among individual stocks, Hewlett-Packard fell 3/4 to 57 1/4 in turnover of more than 1m shares after the computer group posted fiscal second-quarter net income of 91.28 cents a share, up from 83 cents a year ago.

The market was not unsettled by the figures, but by the company's expression of concern about the sluggishness of economic conditions and its effect on earnings.

Hewlett-Packard's warning appeared to trouble other computer stocks, probably contributing to IBM's poor performance on a day when other leading stocks shone. IBM was down 1/4 at 80 1/4.

Elsewhere in the sector, Motorola retreated 3/4 to 57 1/4. Digital Equipment slipped 3/4 to 54 1/4, but Unisys steadied at 54.

Clothing retailer The Gap rose 3/4 to 34 1/4 as the market began to claw back some of the fall incurred last week in the wake of disappointing first-quarter results.

Deere & Co weakened 1/4 to 54 1/4 in heavy trading after analysts at two broking houses, Smith Barney and Prudential Securities, reduced their estimates of the agricultural equipment maker's fiscal 1992 earnings.

McDonnell Douglas fell 3/4 to 84 1/4 on reports that Taiwan Aerospace will propose altering the terms of a joint venture with McDonnell which will involve the elimination, at least for now, of a planned equity infusion.

Barnett Banks lost 3/4 to 35 1/4 after announcing it will take a charge to cover the costs of its \$685m stock swap merger with First Florida Bank. The news sent First Florida shares rocketing 1 1/4 to 54 1/4 on the Nasdaq market.

Airgas climbed 3/4 to 52 1/4 after reporting fiscal fourth-quarter net income of 33 cents a share, reversing last year's final quarter loss of 51 cents a share.

On the over-the-counter market, Stokely declined 3/4 to 56 1/4 after the company reported its dividend on common stock in the wake of a fiscal fourth-quarter loss.

● Toronto was closed yesterday for Victoria Day.

SOUTH AFRICA

EXPECTATIONS of an interest rate cut pushed gold shares higher but they closed off the day's best levels. The gold index closed up 14 at 1,135 and the overall index was 3 better at 3,688. The industrial index was steady at 4,568.

EUROPE

Continent welcomes German pay settlement

THE PAY settlement between metalworkers and employers in Germany put most of Europe in a good mood yesterday, writes Our Markets Staff.

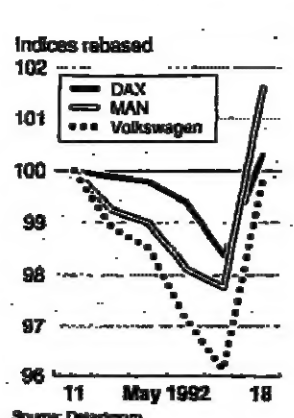
FRANKFURT had one of its remorselessly logical days, lifting bonds and equities on news of the settlement, car-makers and engineers on the absence of potentially crippling strike prospects, and most retailers on the extra spending money that will result.

A rise of 7.56, or just over 1 per cent to 708.13 for the FAZ index at mid-session improved to 34.36, or 2 per cent at 1,758.43 for the DAX at the close.

Turnover climbed from DM5.3bn to DM5.2bn. Traders and analysts welcomed the settlement, indicating a 5.8 per cent pay rise for this year and one of 3.4 per cent, plus a working week cut equivalent to another 1.4 per cent for 1993.

Some dealers noted that much of yesterday's buying reflected position-squaring following short sales last Friday. But Mr James Carmichael, County NatWest's strategist, felt there was more to go for.

Mr Cornish, who visited the



Source: Datastream

Bundesbank at the end of last week, says that another high M3 growth figure is imminent, but that the Bundesbank is not likely to raise the Lombard rate in consequence, feeling that the figures are being inflated by inputs which do not necessarily reflect inflation in the German economy. So yesterday's drop in the Bundesbank's average bond yield from 8.30 to 8.25 per cent looks soundly based.

Carmichael responded yesterday with gains of around 3 per cent. Daimler-Benz rising

FT-SE Eurotrack 100 - May 18

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	Close
1178.26	1178.22	1180.70	1181.44	1182.00	1183.26	1183.85	1184.41
Day's High 1184.40				Day's Low 1178.06			
May 15	May 14	May 13	May 12	May 11			
1171.24	1179.98	1167.91	1186.40	1191.63			

Base value 1000 (20/10/89)

DM21.30 to DM786.80, BMW up DM18 to DM579 and Volkswagen DM14.50 better at DM396; among engineers, MAN was outstanding with a rise of DM14.70 to DM383.50.

PARIS closed just off the day's highs, boosted by a firm bond market and relief over the German situation. The CAC-40 index ended up 27.69 or 1.4 per cent at 2,051.64 in moderate turnover of FF2.7bn.

News late on Friday that the government planned to cut its stake in Total from 34 per cent to 15 per cent and allow shareholders to swap their certificates for voting shares at a parity of 4 certificates for 3 shares prompted heavy arbitrage, which accounted for just under 10 per cent of the day's volume. The shares dropped FF11.80 or 4.5 per cent to

FF248.20 while the certificates added FF15.50 or 9.2 per cent to FF164.40.

LVNH jumped FF101 to FF4,200 in 31,420 shares on good buying interest from the UK. Eurotunnel added FF1.15 or 3.1 per cent to FF38.26 following Friday's news that the government would allow it to carry heavy goods vehicles in semi-open shuttle wagons as initially proposed. A re-design would have cost £100m.

MILAN was boosted at the start of the new account by Fiat's 1991 results which were announced after the close on Friday. However, optimism about Fiat's turnaround prospects was tempered by persistent political uncertainty as the search for a president continued. The Comit index added 1.98 to 474.65 in turnover estimated at L90bn-L100bn after L117.8bn.

Germany's Deutsche Aerospace and Alenia wanted to take control of the Dutch airline manufacturer. Unilever remained under pressure after disappointing first quarter earnings, losing 50 cents to

STOCKHOLM recovered from Friday's setback on expectations of encouraging first quarter reports from Astra, Asea and Volvo, all due today. The Affarsvärlden general index added 13.1 to 998.6 in turnover of SKr419m after SKr435, Asea B by SKr6 to SKr373 and Astra B by SKr19 to SKr334.

MADRID eased in a technical correction, the general index losing 0.76 to 286.82 in an active Ptas16.04bn. Telefonica rose Ptas10 to Ptas105 on a 20 per cent gain in first quarter profits. The power company, Endesa, expected to announce a new collaboration pact in Europe, rose Ptas10 to Ptas105, but Viofán, the food packaging company which announced a 45 per cent drop in first quarter profits, fell Ptas10 to Ptas95 on reports that Aerospacial, after Friday's proposal of an A\$8bn merger, rising 9 cents to A\$1.99 and falling 6 cents to A\$2.01 respectively.

NEW ZEALAND reported late foreign buying orders and closed at a six-month high, the NZSE-40 index adding 8.96 at 1,539.45. Turnover shrank from NZ\$4.5m to NZ\$2.47m.

Foreign buying was again focused on the forestry sector. Fletcher Challenge moved forward 6 cents to NZ\$3.71.

HONG KONG took the O & Y filing as an excuse for profit-taking. The Hang Seng index finished 97.41 down at 5,637.09 after recovering from an earlier fall of nearly 100 points. Turnover contracted from HK\$3.6bn to HK\$3.1bn.

Dealers noted that the index futures were trading at premiums of around 70 points to the cash index, indicating that underlying sentiment remains

optimistic. HSBC, parent of Hongkong and Shanghai Banking and estimated to have around US\$700m in loan exposure to O & Y - but not HSBC emphasised yesterday, specifically to the London docks Canary Wharf project - topped the most active list and declined 75 cents to HK\$49.50.

MANILA went into a downward technical correction and the composite index fell 21.96 to 1,317.11. TAIWAN moved ahead in the last minutes of speculation that the government plans to offer tax incentives to stock investors. The weighted index climbed 61.66 to 4,437.63 in turnover up from T\$15.18bn to T\$22.67bn, following a rise of 63.61 on Saturday.

BOMBAY overcame late profit-taking to end higher in volatile trading. The BSE index rose to 3,627.21 initially before closing at 3,456.16, up 61.68.

ASIA PACIFIC

Bargain hunting helps Nikkei recover in light trade

Tokyo

THE Nikkei average, which fell sharply last Friday on news that Olympia & York had filed for insolvency protection in North America, rebounded on the more phlegmatic reaction on Wall Street, writes Emiko Terazono in Tokyo.

The index regained 368.83 to 18,443.10 on bargain hunting, and short-term buying of speculative favourites, after opening at the day's low of 18,128.16 and reaching 18,458.06 in the afternoon. Volume, however, fell to 220m shares from 332m as most institutional investors remained on the sidelines.

Mr Masami Okuma at UBS Phillips & Drew said leading investors are likely to remain inactive during the corporate results season, which commences this week and is expected to last until mid-June.

Advances led declines by 688 to 324, with 144 issues unchanged, while the Topix index of all first section stocks advanced 21.92 to 1,370.74. In London the ISE/Nikkei 50 index edged up 0.66 to 1,065.75.

Short-term trading by dealers lifted speculative stocks. Japan Metals and Chemicals, the most active issue of the day, moved ahead Y85 to Y810 on the "environmental theme". The company makes metallic alloys used in batteries.

Okamoto Industries added Y80 to Y1,520 as dealers tried to revive the "biotechnology theme". Mitsubishi Kakoki, which makes industrial waste water treatment equipment, rose by its daily limit of Y100 to Y1,090.

Banks, which fell sharply last week on the O & Y developments, were bought. Industrial Bank of Japan improved

Y50 to Y1,790 and Dai-ichi Kangyo Bank Y80 to Y1,330.

Real estate issues, which lost ground last Friday on fears about real estate lending, failed to recover. Mitsui Fudosan, the leading real estate developer which announced its first fall in pre-tax profits in 16 years, dipped

Y20 to Y1,040. Aoki lost Y28 to Y512 on reports of its links to the stock and bribery scandal involving Sagawa Kyubin, the parcel delivery company.

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Roundup

INDIVIDUAL influences moved equities in the Pacific Rim region yesterday. Singapore, Kuala Lumpur and Bangkok were closed for public holidays.

AUSTRALIA climbed steadily, and then lost much of its gain when Papua New Guinea's foreign minister called for all mining agreements in the country to be redrawn after the June national elections.

Mining and resource issues fell but industrials helped the All Ordinaries index end 7.8 up at 1,688.5, off a day's high of 1,674.4. The All Industrials index was 21.4 ahead at 2,615.2.

The PNG moves threaten CRA's position as major shareholder in Bougainville Copper, but CRA closed steady at A\$14.24, off a low of A\$14.00. Other resource companies with interests in PNG tumbled. Placer Pacific losing 15 cents to A\$2.83, MIM 4 cents to A\$2.68 and Renison 20 cents to A\$4.80.

Turnover was light at A\$160.3m. Foster's and SA Brewing were heavily traded

after Friday's proposal of an A\$8bn merger, rising 9 cents to A\$1.99 and falling 6 cents to A\$2.01 respectively.

NEW ZEALAND reported late foreign buying orders and closed at a six-month high, the NZSE-40 index adding 8.96 at 1,539.45. Turnover shrank from NZ\$4.5m to NZ\$2.47m.

Foreign buying was again focused on the forestry sector. Fletcher Challenge moved forward 6 cents to NZ\$3.71.

HONG KONG took the O & Y filing as an excuse for profit-taking. The Hang Seng index finished 97.41 down at 5,637.09 after recovering from an earlier fall of nearly 100 points. Turnover contracted from HK\$3.6bn to HK\$3.1bn.

Dealers noted that the index futures were trading at premiums of around 70 points to the cash index, indicating that underlying sentiment remains

Equities stumble at O & Y hurdle

MARKETS IN PERSPECTIVE

	% change in local currency	% change sterling	% change US \$
	1 Week	4 Weeks	1 Year
Austria	-1.12	-3.53	-22.29
Belgium	-0.47	+1.29	-2.26
Denmark	-0.74	+1.05	-3.30
Finland	+1.12	+7.73	-21.19
France	-1.78	+2.20	+12.58
Germany	-0.93	-1.75	+3.56
Ireland	-3.28	-2.62	-2.06
Italy	-4.28	-6.43	-15.67
Netherlands	-1.06	-0.50	+6.58
Norway	-1.71	+7.22	-13.94
Spain	+2.39	+3.27	-6.58
Sweden	-0.67	-1.70	+3.81
Switzerland	-1.27	+3.25	+16.31
UK	-1.35	+2.30	+9.45
EUROPE	-1.28	+1.07	+5.85
Australia	-0.20	+4.57	+7.53
Hong Kong	+1.81	+11.97	+50.89
Japan	-2.42	+1.69	-30.85
Malaysia	-2.54	+0.43	-4.85
New Zealand	+4.18	+8.66	-1.73
Singapore	-0.51	+5.02	-0.92
Canada	+0.38	-1.02	-2.76
USA	-1.40	-1.19	+12.15
Mexico	-1.25	-5.32	+68.57
South Africa	+2.29	+10.96	+23.21
WORLD INDEX	-1.46	+0.58	-3.85

† Based on May 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

By Antonia Sharpe

News that Olympia & York, the Canadian property group, had filed for court protection from its creditors stopped most stock markets in their tracks. If only briefly, at the end of last week, Japan was the most affected, perhaps because it reminded investors of what could happen to Tokyo's property market.

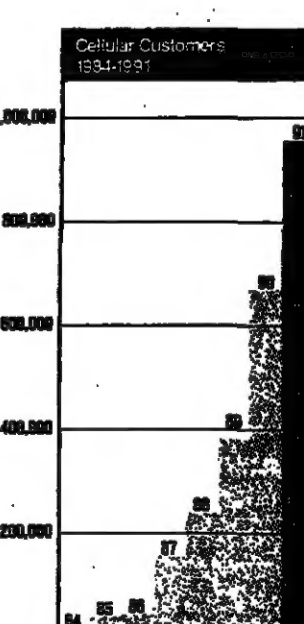
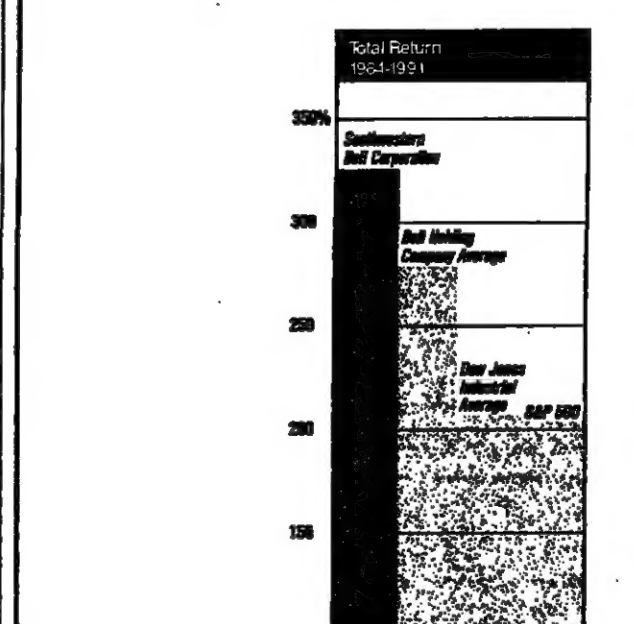
The Nikkei average dropped 4 per cent on Friday, but earlier gains reduced the loss on the week to 2.4 per cent, according to the FT-Actuaries World Indices. This, together with a 1.4 per cent decline on Wall Street, left the World Index 1.5 per cent lower.

The week's best and worst performers were provided by smaller markets. Italy fell 4.3 per cent to its lowest level since the start of the year, sinking under the weight of rights issues by companies hoping to beat a privatisation programme planned for the second half of the year. Fears ahead of Fiat's 1991 results, which proved unjustified, also contributed to the weakness.

The uncertain political situation in the wake of an inconclusive general election is likely to delay a recovery in the stock market until later in the year. But some analysts believe that the present conditions are ideal for selective bargain hunting, especially in industrial stocks which are likely to show an improvement in earnings in 1993.

Falling domestic interest rates and optimism about the forthcoming corporate results season helped New Zealand to climb 4.2 per cent on the week, and took the NZSE index to its best level so far this year.

The rest of the Pacific Rim was mixed, with Hong Kong notching up another 1.8 per cent rise for a 33.6 per cent advance since the start of 1992, while Malaysia slipped 2.5 per cent as the market corrected after three weeks of gains. However, activity is expected to pick up towards the end of the month when Tenaga Nasional, the newly privatised electricity company, is due to be listed.



A graphic description of positive performance by Southwestern Bell.

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In addition to this core business, the Corporation is pursuing an aggressive program of investing in communications opportunities in the U.S. and internationally.

One example is our cellular operation, which increased its subscriber base by more than 40 percent

in 1991. It has virtually the highest market penetration rate in the U.S. Another is our substantial equity investment in publicly and privately held shares of Telefonos de Mexico. Telmex A shares have appreciated 200 percent since 1990.

Since becoming an independent company in 1984, SBC had a total return (stock price appreciation plus dividends) through 1991 of 326 percent, the highest of any Bell Holding Company. SBC ranks 29th on the 1992 Forbes "Super 500" list.

To examine our performance for yourself, please call or write our representatives listed below.

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Southwestern Bell Corporation is listed on the New York, Midwest and Pacific stock exchanges in the U.S. and in London, Zurich, Geneva and Basel.

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